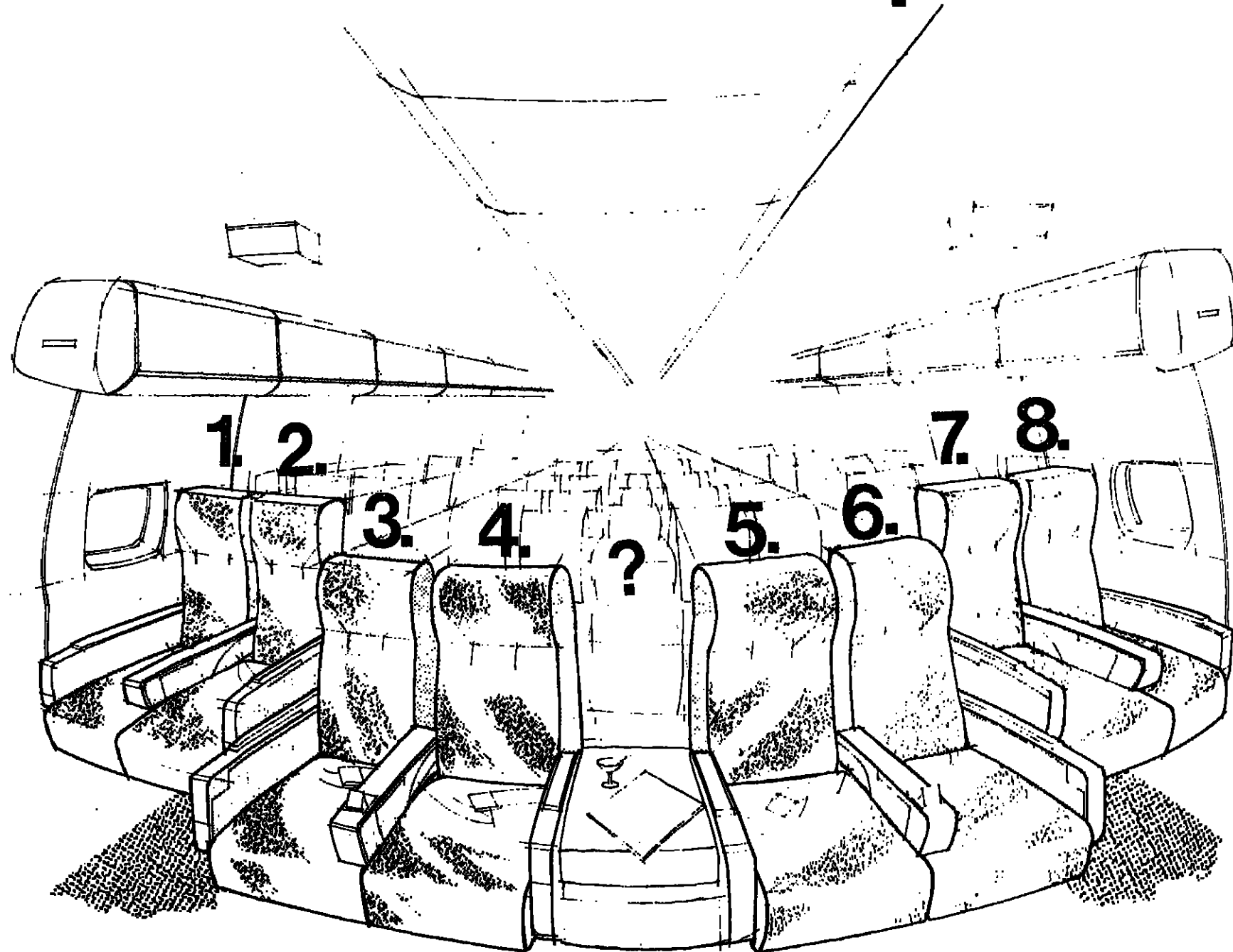


A brief lesson in commercial enterprise.



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Volume 9 No 12 (Issue 329) April 11, 1979

Multi-million dollar housing deal with Iran collapsed?

by Rae Mazengarb

A JOINT multi-million dollar NZ-Iran housing deal has crashed amidst allegations that the Iranian parties in the venture were "swindlers".

The Iranians are said to have taken deposits for houses in a \$20 million housing scheme which has not materialised. The New Zealand party in the housing deal is Extrade International Limited, a Wellington-based company with offices at Robert Jones House.

Incorporated in October 1975 as a private limited liability company with paid up capital of \$8000 in \$1 shares, Extrade's original shareholders were: Edward Howarth, Rex Robertson and Olphert & Bornholdt Nominees Limited, of Wellington.

Directors of Extrade throughout have been Howarth, Robertson, and Wellington solicitor Bruce Bornholdt.

The latest return filed in the Companies Office dated 8 December 1978, shows the shareholding unchanged from the original subscription.

When NBR called on Bornholdt he refused to discuss any aspects of Extrade, referring all inquiries to Howarth.

Although Howarth spoke of one or two persons as having small shareholdings in Extrade, it is not clear just who is the effective controller of the two-thirds interest held in the nominee company.

The nominee company is a solicitors nominee company — a bare trustee of documents of title for some other person. It cannot engage in business on its own account in any way.

The company's business is in the exporting of low-cost, prefabricated houses — mainly to the Middle East — and supervising their construction on site.

Mid-way through last year the Teheran newspaper, Kayhan International reported:

"Police are looking for a gang of swindlers who took millions of rials from many different people as deposits for villas and houses in Teheran and then fled. A report yesterday said the swindlers, who have not been identified, advertised in local newspapers giving their office address as 149 Tahriteh Avenue. Many people paid money at the office and were told they would be informed when their house was ready. Returning to the office after some 10 months, the people found the office closed and everybody gone. Police are investigating the matter further." (July 17,

1978).

The New Zealand Embassy in Teheran and Foreign Affairs in Wellington then began official communications on the situation.

These (and NBR's) investigations have not been helped by the confusion caused by the current revolution.

But the address given by the Teheran newspaper was the office of the Iranian parties who placed the order; and it was from that office that a large cheque which formed the deposit under a binding contract between the two groups, for a \$20 million low-cost housing development, was forwarded to Extrade.

In the following months warrants were apparently issued for the arrest of the two Iranians with whom Extrade dealt, but a reliable source says the men fled the country or went into hiding, apparently with the money deposited from prospective Iranian homeowners.

By October last year, says Howarth, Extrade's chairman of directors, soldiers were in the streets and anti-Western feeling was running high; but the Iranian authorities had moved to try to save this joint deal, along with dozens of other schemes which had similarly collapsed.

Howarth and another New Zealander flew to Teheran to attempt to salvage the operation through new parties authorised by the Government to take over the Iranian side of the joint-venture.

But despite the fact that Iranian authorities had established a special department to clean up the mess, confusion and mistrust was deep and the New Zealanders returned home with the scheme still in tatters.

Fifteen months have now elapsed since the original deal was signed and the deposit was paid a year ago, yet designs for the project never really got off the drawing board.

Christchurch architects, Warren & Mahoney, told NBR, "It was a grandiose scheme which never got off the ground" — but were unwilling to discuss the project further.

Diplomatic sources say the Iranian parties did little to acquire either the necessary finance or building permits.

Those same sources continue to be guarded about the affair. Publicity, they fear, could do little to enhance New Zealand's image in Iran, or indeed, the Middle East as a whole.

But Howarth stresses that the New Zealanders were not involved in any bad publicity over the affair; Extrade had a man in Teheran for nine months, but "our people

operated from a villa".

"We were all systems go, and then we couldn't get a building permit," he explained.

"Our people at the other end got into strife and it took four-five months to sort out... there has been no prosecution as far as I know."

In fact, Howarth said, it was debatable whether the Iranian parties could be called "swindlers".

"Our people ran into trouble through their inability to get a building permit," he said.

There was some question of having to pay bribes: "They hadn't paid off the right people."

"The story we heard was that a year previously someone was caught paying a bribe to the municipality," and Howarth added that after the issue became public, building permits were not being issued.

The Government then moved in about August and investigated the situation.

Having "virtually written Iran off" by this time Howarth's company were surprised to be invited back in October to make arrangements to start the project, but political unrest upset the attempt.

But the apparent moves by the revolutionary Government in Iran to restore a limited trading relationship with the Western world, have in the last few weeks meant a few more ripples in the Extrade deal.

Howarth told NBR, "We've started getting telexes to begin a Government housing project".

"One of the people we know over there is asking for prices, but I don't think we'll get our people in there," he said. "We're looking at (the proposal) with jaundiced eyes."

The contact Howarth referred to is apparently the same man authorised at the eleventh hour by the Iranian Government to attempt to save the original deal. But the diplomatic attitude is cautious.

New Zealand ambassador to Teheran, Chris Beesby commented, that past experience of a large number of companies suggested there were a great many pitfalls involved in tendering for housing contracts in Teheran.

So what of Extrade in the future?

A deposit was paid for the deal, however, NBR inquiries have failed to ascertain how much money was involved.

But according to Howarth sums received will probably not cover costs which would run into "hundreds of thousands" of dollars.

Inside:

BOBEDLIN looks at the Cross plan to restructure television — "On one hand it can be said to make the controversial broadcasting system more publicly accountable. On the other, it exposes broadcasters to the whims and fancies of their political masters" — Page 6.

FIFTY creditors owed nearly \$250,000 are hoping the Supreme Court will untie the legal knots and allow Nationwide Air Ltd to take off. John Draper speculates on the company's future — Page 16.

A WORLD-wide publicity campaign to sell New Zealand to multi-national corporations will be launched by the Reserve Bank later this year. Rae Mazengarb looks at the present restrictions on foreign investment and suggests these will be liberalised — Pages 24-25.

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EDITORIAL

The substance of yet another rundown of the New Zealand economy seems to have been dismissed by Muldoon while he sets his sights on gunning down the author. Christopher Jay's work in the Australian Financial Review was described as "A series of articles, in extravagant language, damning the economy and the economic policies of the Government". And when TVI brought Jay to New Zealand to be questioned about his observations and conclusions, it "had the effrontery" to invite Muldoon and deputy, Hugh Templeton, to take part in the programme. To have taken part in such an interview "would dignify this individual beyond his deserts, and naturally we refused". So MPs Marilyn Waring and Ian McLean went along instead.

Muldoon seemed particularly miffed that when the economic journalist came here to research his project, he "did not think fit to even seek an interview with the Minister of Finance".

Muldoon invites immediate criticism from local journalists when he says Jay should have seen him. He has effectively recoiled himself from media questioning till last week when press conferences resumed. Previously reporters were obliged to put questions to him in writing through his press staff; he chose which reporters would be granted the privilege of answers. The critical finance portfolio was put under wraps to such an extent that the Associate Minister of Finance officially wasn't given the Treasury's end-of-year "state of the nation" report and was embarrassed by publicly raising the question of price control dismantling to the Retailers Federation several hours after Muldoon had publicly declared they would be lifted.

When facts are obscured and the detailed nature of an economic restructuring remain uncertain, the business community cannot make long-term plans. That point was emphasised to a seminar in Auckland last week: negotiation on long-range wage contracts needs a climate of certainty that is created only by frank, open and stable government. The bargain struck between employer and employee is suspect if it can be invalidated overnight by a Government decision to intervene or by a decision with inflationary consequences.

Similarly, no foreign government will be eager to invest in a country which without warning increases power charges by some 50 per cent, then a few weeks later indicates its appreciation that the decision might have undesirable consequences and might be modified for energy intensive export industries like Tasman Pulp and Forest Products.

Muldoon, presumably, would argue that he has created a stable economic climate and that his Government is both frank and open. If that be so, he may complain that Jay should have paid him the courtesy of a visit. He cannot complain that such a visit was essential for writing about the economy. The facts about the state of the economy should be clear to anyone who cares to look. If they are not, and if they cannot be clarified without consulting Muldoon, then he is doing this country a disservice either by shielding the public from the truth, or by shielding his performance from public scrutiny.

As for Muldoon's opinions about the state of the economy and about the Government, ie, tackling our problems, the researcher can read dozens of speeches on the subject plus his articles in Truth. Rather than putting his pen to a petty point of protocol, Muldoon should head Jay's conclusions that New Zealand needs better access to the Australian market as a first step to economic recovery. Jay said Australia has a vital interest in seeing a revival of the New Zealand economy because it is the most important single overseas market for Australian manufacturers. And it argued that guaranteed access — rather than de facto access — should be provided to Australia's market if New Zealand industrialists are to plan ahead with more certainty and commit necessary funds on modernisation and restructuring.

If Muldoon does not reject that argument, then this week he should do something about it during the current bout of Nefta talks.

Bob Edlin

IT'S debatable how long the deer farming boom we mentioned recently will last. Obviously deer farming is going to appeal to farmers and entrepreneurs in other countries, many much closer to the European venison market. Less obvious is why we have to help it happen the same way as we have naïvely assisted other countries which are or will become competitors in an increasingly cut-throat international marketplace. We have, for example, helped build up stud sheep flocks, supplied kiwifruit vines, constructed dairy factories.

Scotland, it seems, is gearing up to rival New Zealand's rapidly-growing deer farming industry. Like New Zealand, Scotland has wild deer herds to supply breeding stock — 250,000 red deer in the highlands alone, and almost four million hectares on suitable, unfarmed land for grazing.

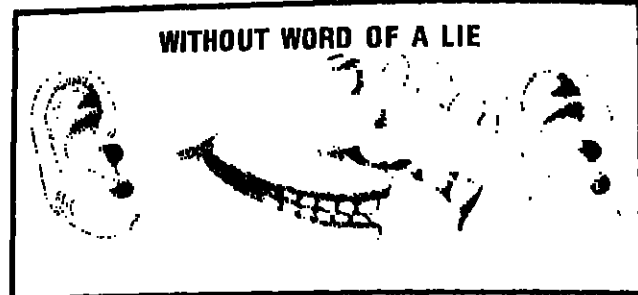
It was recently noted in the press that a Scottish veterinarian and deer farmer was coming to New Zealand in May to attend a deer farming symposium and to visit farms and research laboratories. Presumably he'll be welcomed warmly; at the same time we ban from the country various people whose social and political views we fear but who will ultimately do us less harm than those who will apply our agricultural ideas and innovations in other markets.

WE were ungracious enough to suspect that Air New Zealand might be taking advantage of a monopoly situation... but the corporation had an explanation.

One of our staff arrived at Air New Zealand's Auckland depot with a 15 by 23cm envelope to be sent on the overnight Jetex service to Wellington.

"Sorry", the counterman said, "we can't accept Jetex, but you can send it Courier Pack".

Why? "All our competitors are on strike," he said, referring to a strike by



storemen and packers and consolidators. "We are the only service going."

So we sent the envelope by Courier Pack at a cost of \$5.50 compared with \$2.25 to go Jetex.

The strike had left Air New Zealand with more cargo than it could handle, we were told. And so it was we saw our tiny envelope put into a 1½ square metre Courier Pack envelope.

Had it gone Jetex it would have occupied less than one ninth the space... at about one third the cost to the customer.

But all was explained by city freight supervisor, Dave Goodison. Two factors — the strike and the previous week's bad weather which closed airports around the country — left Air New Zealand with half as much cargo again as it normally handles.

To get rid of the backlog, the airline cut all Jetex on the Thursday and accepted only Courier Pack.

Courier Pack, Goodison explained, was top priority having the same priority as a passenger, and was not handled by the cargo side of the operation.

All of which still leaves us, along with others in the queue of businessmen with rush parcels bound for points south, \$4.25 out of pocket.

AS Alice said: "Things get curiously and curiously." Government is spilling hydro power over the dams and burning gas in thermal generators just to get added gas throughput to extract more condensate to make into petrol... to combat the fuel shortage the Government blames on the revolting

Iranians. Blaming the so-called petrol shortage on the Iranians diverts the public's critical gaze from the Government's management of the economy at home.

But increasing electricity charges by 50 per cent doesn't seem to make sense.

One would have thought that cheap electricity would both encourage its use (boosting throughput and increasing condensate production) and cut costs of New Zealand production enhancing our export competitiveness and earning to pay for imported petrol.

Insofar as river water spilled over a hydro dam is a resource used now or lost forever while gas used in thermal generators is a non-renewable resource, one could be excused for thinking the electricity price hike's were an unnecessary burden on local consumers and manufacturers — or worse.

All that water wasted could be used for cheap power to reduce export prices for Tasman Pulp and Paper or Winston's new thermo-mechanical mill at Karori.

Finance Minister Muldoon, at the opening of the \$30 million Winston mill, backtracked on his month-old electricity price hike saying: "My Government is well aware of the short-term effect of the new electricity charges on major energy-intensive industrial users involved in exporting, and a form of temporary relief for such industries with a high electricity content in their product is now under consideration." So there must be a method in

all this madness which to the lally barrel from inner sanctum of Government decision-making.

A likely explanation given by an interested energy adviser. One experience he said, was that governments like to tolerate levels when a gas field is about to be production. They do it to encourage the use of production company to use its capital costs of development.

When the public has hooked on gas, he said, governments then like to price it at the highest tolerable level.

The Maui field oil Government, Shell, BP, consortium about it to develop.

The only trouble with production cost recovery scenario in this case is that Government has been lacking in foresight to use this new gas resource.

Pipelines are yet unfinished, and other transport options, such as CNG to power cars, are little more than pipe in the planner's eye — the fact that the oil is more than five years old.

To make matters worse, Opec's price hike will New Zealand more than other countries.

The premium price for oil is lighter than that of industrial countries — far use more light fuel.

petrol and diesel use heavy fuel oil because more cars and trucks heavy industry.

So if we crack enough crude to obtain also petrol, we wind up a surplus of fuel oil — industry has been disappointed from using fuel oil prices.

(Otherwise we import petrol and naphtha — a price prices.

PM: The South Island is therefore a good area for companies adding value to local resources, for those producing a lightweight compact product for which freight is not an overwhelmingly important factor, and for those aiming for a sizeable export as well as domestic market.

NBR: In 1936, 35.4 per cent of New Zealand's population lived in the

THE Prime Minister is fond of claiming that we journalists are irresponsible, biased cads and bounders, not only not pro-government but, as he suggested in a recent issue of "Truth", anti-New Zealand to boot.

Yet it seems that for all this, the PM is not averse to a bit of unabashed plagiarisation of the press and its findings when it suits him.

This sobering fact was brought home to us by a speech he gave on April 3 to Associated British Cables in Christchurch. Some of the phrases sounded uncannily familiar. And so they should have. They were cribbed almost verbatim from an article that appeared in this very paper on March 21, just two weeks before the PM made his speech.

For those who enjoy such trivia, we present a random selection. From a piece entitled "South Island's economic base subtly ebbs away with a drift north — or is it in great shape?"

NBR: Stewart says industrial and commercial leaders in the south have been talking depression too long. PM: Industrial and commercial leaders in the south have been talking depression for too long.

NBR: "Sure there are problems," the head of a large engineering firm said, "but with good management and forward thinking policies they can be overcome."

PM: Parts of the South Island are now suffering a trying time but with good management and forward thinking policies these problems can be overcome.

NBR: If a company is manufacturing largely from locally-available materials, producing a lightweight compact product for which freight is not a factor, and aiming for a sizeable export as well as domestic market, the South Island industrial areas are still a good bet.

PM: The South Island is therefore a good area for companies adding value to local resources, for those producing a lightweight compact product for which freight is not an overwhelmingly important factor, and for those aiming for a sizeable export as well as domestic market.

NBR: In 1936, 35.4 per cent of New Zealand's population lived in the

Suddenly he was confronted by a new problem. He was now

South Island. In the last census, 1976, the figure was 27.5 per cent. This represents an average drift per year of about 0.2 per cent... the drift fell to an average of 0.16 per cent in the period 1971-76... PM: In the 40 years between the 1936 and 1976 census, the South Island's share of the country's total population declined from 35.4 per cent to 27.5 per cent — an average decline of 0.2 per cent. In the 1971-76 period it was only 0.16 per cent.

Now we don't want to sound pernickety, but it doesn't seem exactly cricket to box us over the cars with one hand and pick our pocket with the other.

And if someone is going to pick our pocket, we'd rather they took everything and not just the things they particularly fancied. In this case, our article gave both sides of the story, including the widespread view that the government had not made enough effort to help the South Island overcome its economic disadvantages.

Who's biased now? Imitation, we are told, is the most sincere form of flattery. We remain, sincerely, unflattered.

THERE is no shortage of petrol in New Zealand. In fact, if the public of New Zealand adopts a plan recently devised and perfected by our NBR motoring editor, this country should soon have an exportable surplus of motor spirits.

Our motoring man is a pragmatist. He believes only what he experiences. So he collected petrol-saving hints and began to apply them. The Shell Answerman booklet, for instance, told him a clogged air filter can cut fuel performance by 20 per cent. He unclogged it. Under-inflated tyres, it said, can cost 20 per cent efficiency in petrol consumption. He adjusted his tyre pressures quickly. A badly packed roof rack can increase fuel consumption by 15 per cent. Easily fixed. As he accumulated data from various sources so he put his new knowledge to use. Savings mounted. Binding brakes had cost 30 per cent and badly adjusted carburettor 12 per cent. Smart changing of gears from first to second saved 15 per cent.

Suddenly he was confronted by a new problem. He was now

saving more petrol than he was using. He has decided to live with the problem but admits that it is a bit of a bore having to stop every 30 or 40 kilometres to siphon off the excess petrol.

BETWEEN the giants of the fast-food industry and the nuts among the berries in the health-food stores is a world of difference. But Pizza Hut may be about to grab a slice of the health-food market, if company general manager Gary Melville-Smith has his way.

Just back from a four-day pizza spree in San Diego, Melville-Smith states that American convenience food outlets now have to display a nutritional analysis of their menu, and anticipates this may soon become a requirement in New Zealand.

"While many convenience foods have been found to lack vital nutrients," boasts a press release, "pizzas have been revealed as one of the more nutritionally-balanced of the fast foods."

If you thought the cheese and tomato topping was there because it tastes good, forget it — the Americans are going for its protein and vitamins.

And the pastry base, a source of anxiety to the calorie-conscious, "yields necessary carbohydrate and starch." Not to mention the nutritional extravaganza offered by "the wide choice of additional toppings, which include meats, seafoods and vegetables."

With all that going for it, who could go past a pizza?

QUESTIONED on Radio New Zealand's Morning Report the other day, Trade and Industry Minister Adams-Schneider confessed to some uncertainty about the consequences of the sugar price hike. Trouble is, said the Minister, you can't measure the flow-on effect of such a decision.

Thus the inflationary consequences as the sugar price is passed on by breweries, soft drink manufacturers, biscuit and sweet manufacturers and so on appear to be a matter for conjecture.

Surprising, really. After all, the Minister earlier had sounded more than somewhat emphatic when he said the price rise would cause a rise in the all-foods price index of just .005 points.

EVERY morally minded, right thinking person will vigorously support Patricia Bartlett's representations to the Broadcasting Tribunal of complaints by the Society for the Promotion of Community Standards. The idea that full frontal nudity, even photographed discreetly and at a distance should be displayed on TV screens at children's viewing times must horrify all those who still cling to old ideas of modesty and propriety.

A carefully conducted investigation has shown that a "long shot" of average size men and women, when projected on to a TV screen, will occupy a vertical depth of approximately 127 millimetres. The secondary sexual characteristics of the nude figures, depending on sex, will occupy an image depth of approximately 11.5 millimetres. At the average viewing distance of 1 to 1.5 metres, the size of the image on the retina of the eye will be — well, considerably smaller — but still sufficiently disturbing if viewed for the full time of the exposure, 25 seconds, and especially when seen by those who did not have the forethought to switch the

set off when the programme was announced. With the exception of very young infants, many will agree with Patricia Bartlett's contention that bare breasts are offensive. Others will present the view that the Almighty was exceedingly careless in his arrangement of certain parts of the human anatomy and — apart from works of art and sculpture — the less we see of the unclothed figure the better.

So those who place mental purity ahead of the satisfaction of debased cravings will support Bartlett's campaign to ban all nudity from the TV screen with the exception of programmes showing primitive native people. Not only do they not have the same standards as a New Zealand community but dark skins sort of camouflage the offending bits and pieces which, curiously, the natives share with their white-skinned brothers.

It is strongly suggested that where it is, for programme reasons, impossible to prevent the portrayal of white flesh on TV screens, a bold warning be displayed in advance, reading: "Viewers are advised to wear dark sunglasses for the ensuing scenes."

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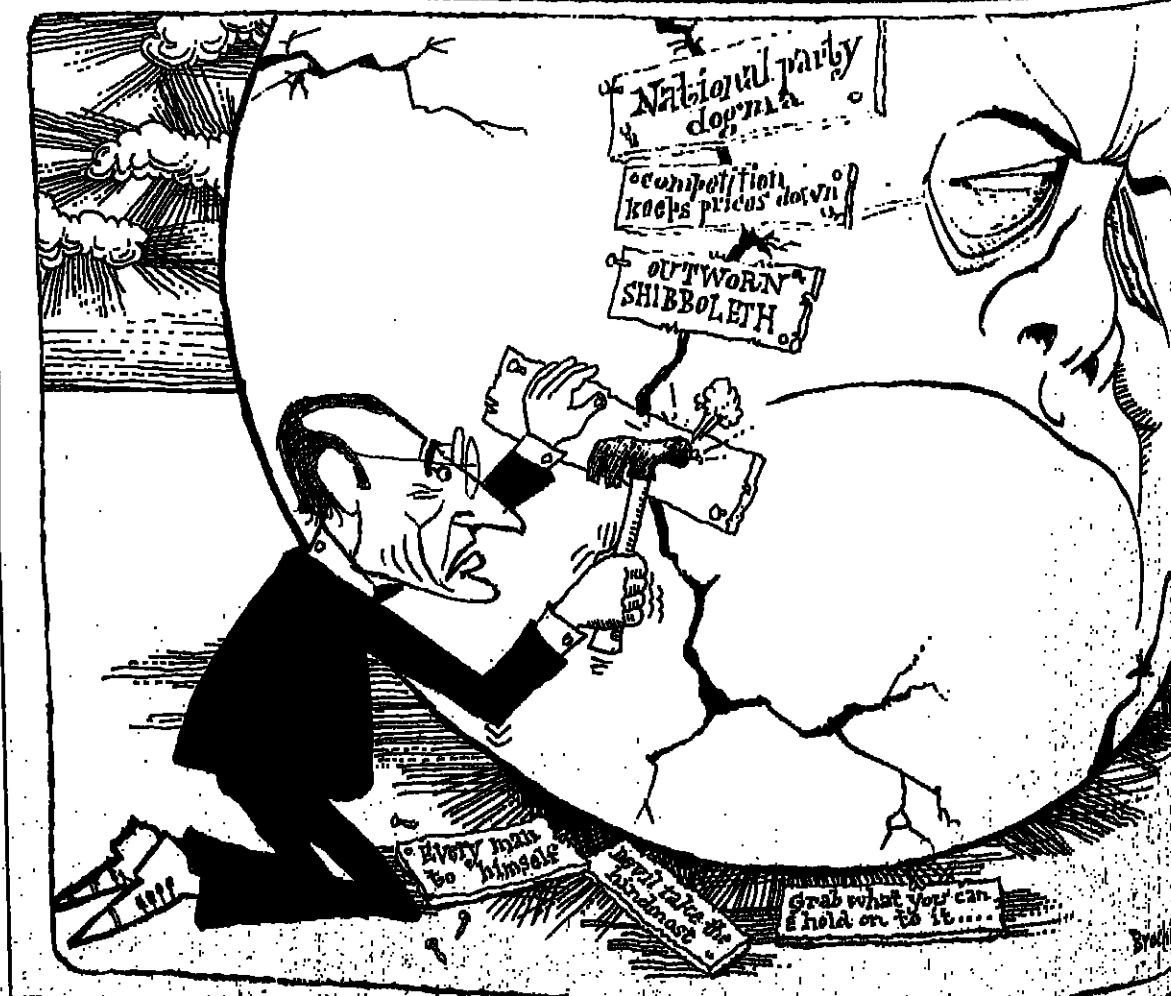
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Cross makes TV's top cat a political post

by Bob Edlin

THE Cross plan to restructure television makes broadcasting more vulnerable than ever to the dictates of Government politicians.

It reduces the areas of responsibility of television's directors-general and consolidates executive powers in the politically-appointed chairman.

It endorses the idea that the chief executive be both policy-maker and administrator.

And it eliminates the ideal that this chief executive should be a career broadcasting administrator, serving as a crucial buffer between professional staff and political board.

On one hand, the plan can be said to make the controversial broadcasting system more publicly accountable. On the other, it exposes broadcasters to the whims and fancies of their political masters.

Cross already commands greater powers than any previous chairman.

He is the first full-time chairman in broadcasting's history. But he not only heads the board whose job is to lay down the broad sweep of



THE MEDIA

policy. He also executes policy.

"In effect, I am a director-general," he has conceded. "But I'm taking a great deal of care to ensure my work at this time does nothing but mould the broadcasting organisation's self-sufficiency."

One, under TV2's Allan Martin, will control all local production, including news. The other, under TV1's Alan Morris, will be responsible for networking, presentation, scheduling, transmission, selling advertising and buying overseas programmes for both channels.

Cross has said his restructuring creates a horizontal division in place of the present vertical split. The intention is to create genuine complementary public service broadcasting where the rating

system assumes less importance.

The changes are designed to give a wider range of programming to viewers and rationalise the use of facilities by both channels. Cross said.

The unified administration will have responsibilities for both services. Cross has argued that the reorganisation "is designed to leave the chairman of Broadcasting less involved, finally, than I have been in the last 18 months."

But his organisational structure, by creating a horizontal division in place of the present vertical split, will leave a vacuum at the top executive level which Cross inevitably must fill.

By creating two horizontal levels, each with separate functional responsibilities, an overload is made necessary to determine priorities and to coordinate the activities of the two divisions.

Cross said changes should take full effect from April 1 next year. If it proceeds, the degree of public accountability in public broadcasting will have gone from the sublime to the ridiculous — or the other way

round, depending on your viewpoint — in just a few years.

Labour's 1974 legislation set up television as two distinct corporations, operating under a Government-appointed chairman but with no responsibility to a Minister.

The independent corporations each had a chairman and two other members appointed by the Governor-General on the advice of the Minister.

The key staff appointments for each corporation were the directors-general. As the Adam Report said: "Making this appointment and fixing the appropriate terms for the contract of service of their chief executive officers are powers vital to the independence of the corporations and to the whole style of service they want to create."

Priorities among the various services were to be sorted out by the Broadcasting Council, with an independent chairman, deputy chairman and one additional member appointed by the Governor-General on the advice of the Minister, along with the three chairmen of the operating corporations.

National disbanded the council in 1976 and set up a single corporation — the BCNZ. It was headed by a 10-member board. The corporation's responsibility to a Minister of Broadcasting was restored. The corporation appointed three standing committees of its members to be responsible to the corporation for Radio New Zealand, Television One and Television Two.

But as Broadcasting Minister Templeton declared at that time: "I want the services to have the maximum possible independence under their directors-general."

The present TV directors-general were imported from overseas at the time the Labour plan was implemented. Both are career broadcasting men.

Before the Labour restructuring, the NZBC's chief executives, its directors-general, like Lionel Seelens and Gilbert Stringer had been promoted to the top through long careers in broadcasting.

Cross has been editor of The Listener and has had broadcasting experience on programmes like Columbo. But he isn't a career broadcasting man in the same way as the previous chief administrators.

He can claim some commercial experience in manufacturing and publishing, but pre-eminently he is a journalist.

Above all, his appointment did not result from the post being advertised and a number of appropriately qualified candidates being considered. He is the appointee of the Government. And he is directly accountable to the Government.

If his plan is implemented, the principle of broadcasting being administered by political appointees will have become more firmly entrenched.

Whatever independence he may claim for himself, the critical fact is that a broadcasting system with a politically appointed chief executive is vulnerable to political abuse.

While Cross is there, this vulnerability may not be blatantly apparent. But who will succeed him? And how willing will be his successor to resist the pressures of political demands?

The 1976 legislation provided for parliamentary accountability, so that the

Minister of Broadcasting might be questioned on broadcasting matters in House.

It required, too, that Government policy decisions given to the corporations be made in writing and laid on the table of the House to ensure public debate.

But political influence necessarily exercised by the corporations was directed.

Prime Minister Muldoon wrote in Truth last week: "Two TV camera crews have been waiting at Parliament to film the departure of the plan of the Government."

"Four television crews, such a trivial political act, is a bit much, even in Muldoon's eyes."

So he made the point. It might have been a point, but the approach Cross clearly aimed at was to attempt to influence the casting behaviour.

Cross presumably has ambitions to please Muldoon's eye and initiated inquiries into it.

In the same Truth column, Muldoon complained that Cross had spent four days in the district of the programme "which was the most sordid TV affairs programme I saw in recent time."

It was an inquiry into the National Party office permitted to shift its site on the main road from the main road to the main road.

A third complaint was that Cross had brought to New Zealand a current affairs programme "which was an economic writer's extravaganza."

Along with these complaints about TV's treatment of matters involving the Party people and the Party's financial interests, Muldoon's implied that Cross had been promoted to the top through long careers in broadcasting.

Cross has been editor of The Listener and has had broadcasting experience on programmes like Columbo. But he isn't a career broadcasting man in the same way as the previous chief administrators.

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Above all, his appointment did not result from the post being advertised and a number of appropriately qualified candidates being considered. He is the appointee of the Government. And he is directly accountable to the Government.

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Whatever independence he may claim for himself, the critical fact is that a broadcasting system with a politically appointed chief executive is vulnerable to political abuse.

National stalls paying for broadcast success

by Bob Edlin

THE real measure of broadcasting's success should be its quality of programming and its range of services.

The National Government endorses this notion, but seems curiously reluctant to pay the price of implementing it.

It has stalled on an application to increase licence fees. And its cost-pruning demands have resulted already in cuts in programming hours, cuts in sports coverage, and the scrapping of sponsorships.

Further reductions in service are on the cards. Chairman Ian Cross has said that if an increase in fees was not granted, the corporation would have to consider other options but not the scrapping of TV2. They were cuts in the YC and YA radio networks; retrenchment of local drama productions on both radio and television; a news service only six days a week; dropping some satellite sports cover; cutting satellite news services; reducing the local content in programmes.

Prime Minister Muldoon has gone further in wondering about the need for a second channel. It's a far cry from 1969, when National's election manifesto said the National Government "regards the establishment of a second TV channel as a matter of urgency and the Minister of Broadcasting has

already asked the broadcasting authority to undertake an enquiry into the needs of New Zealand for additional television services, including the best way of introducing competitive private enterprise television and colour television, and of ensuring the continued development of the services of the broadcasting corporation."

At the time the Adam Committee was set up in 1973, both political parties had accepted the recommendation of the Broadcasting Authority in 1971 that television services should be converted for colour transmission by October 31, 1973. The costs were known to be heavy.

And both parties had agreed that a second channel, also in colour, should be established. Again, they knew the costs would be heavy.

The Adam Committee anticipated financial problems in the early years. Its report said the commitment to colour and a second channel required upgraded transmission facilities for both channels, estimated by the NZBC to involve a capital programme of more than \$24 million even for its limited version of a two-channel system with very restricted hours for the second channel.

"So it is plain that far more capital will be required than the existing system was yielding — without so much as

considering the additional needs of radio," said the report.

"Eventually the two television channels, when converted to colour and completed, will begin to earn handsomely. But in any event, there was and is bound to be an awkward capital gap for between three and five years. Therefore it will be essential for the council to produce a phased development programme which sets a share of resources aside for radio and then focuses investment on the transmission networks and the establishment of TV2."

The scheme was never given a chance to prove itself. It was implemented under Labour in 1975 only to be overhauled by National in 1976.

But National's commitment to second-channel coverage was enshrined in the legislation it passed.

Among the corporation's statutory responsibilities are to carry on public

broadcasting services, and to develop, extend, and improve those services in the public interest; and in particular — "To ensure that Radio New Zealand provides a radio broadcasting service as far as practicable for the whole of New Zealand."

"To ensure that TV1 and TV2 each provides a television broadcasting service as far as practicable for the whole of New Zealand."

That legislation also made money matters a Ministerial responsibility.

Each year the corporation has been obliged to submit to the Minister for his approval a programme of capital works proposed to be undertaken by the corporation during that financial year.

TV2 now reaches about 80 per cent of the viewing public. Broadcasting Minister Hugh Templeton said on March 13 that early indications pointed to a loss of around \$25 million over three years in the cost of developing TV2's complete

coverage of New Zealand. But the meaning of "practicable" was brought into question when chairman Cross applied for a licence fee increase.

The application prompted Templeton's promise of a thorough review of broadcasting finances. But he didn't envisage drastic change.

"I believe that television's financial problems can be tidied up quite well, and that South Pacific will gradually come up to parity with TV1," he said.

Muldoon obviously disagreed. On March 13, he said in his Truth column that as costs inevitably increased, there were only a few options available if broadcasting was to remain financially sound. "We can have more advertising nights, we can increase licence fees, or we can cut the services."

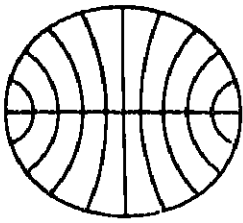
"One option which comes to mind immediately is the

possibility of cutting out the second channel entirely." He appeared unenthusiastic about selling one channel to private enterprise.

"... the difficulty with this is that private enterprise would be interested in owning television if it covered just the main centres where the population density is high."

By then, Templeton had already approved Cross's plan for a restructuring. He returned to the fray with the statement he would prefer both television channels to stay under State control. "I feel that, with reasonable care and with the re-organisation, we can complete the TV2 network without too much pain," he said.

But Muldoon's concern is that the radio and television service has not paid for itself. He ignores the heavy costs of capital development. But Muldoon does have the advantage of being Prime Minister.



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Govt dilly dallies over licence fee hike

by Bob Edlin

GOVERNMENT is curiously reluctant to increase broadcasting licence fees.

While it appears undeterred by the implications of lifting the prices of butter, milk, sugar, electricity and so on, it balks at broadcasting's demands for a financial fillip.

The radio licence in 1970 was \$3 — the same as it was in 1926. Now it's Ian Cross's turn to wait patiently while the Prime Minister questions the prudence of current spending when it results in TV programmes that displease him.

Licence fee levels critically affect broadcasting's book-balancing act. They produce some \$28 million in revenue. This once comprised half the total income of broadcasting. Now, it brings in only a third.

Cross put proposals for an increase in licence fees to the Government before Christmas.

There has been no increase for four years. But the de facto Minister of Broadcasting, Rob Muldoon, has often sounded the sort of notes that suggest Cross has an uphill task.

In August 1977 — responding to Cross's observation

that New Zealand had to be prepared to pay more for television in order to cure broadcasting's economic ills — Muldoon said: "I don't think anyone would like to see an increase in fees."

But he hinted he would prefer shorter hours or more commercials. Since then, Muldoon has had fresh thoughts. He has suggested scrapping a channel as one option open to the Government.

"Which then, would the public sooner have: An increase in licence fees with two channels, or no increase and maybe even a reduction with one?" he asked readers of his Truth column.

And Hugh Templeton, the nominal Minister of Broadcasting, although resigned to a \$10 increase, to give Cross the \$25 million extra he needs over the next three years, knows very well Cross has other options it could easily opt for.

"Cuts have already been mentioned. There is the possibility of modest borrowing at going rates of interest for development."

"We may have to consider shifting important costs like that of the New Zealand Symphony Orchestra from the broadcasting account."

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Economics Correspondent

MULDOON announced loans with the Japanese and the Dutch last month. Then he promptly lashed out at both countries for being unfaithful to New Zealand's economic interests.

In mid-March, the Government raised a loan of \$95 million from a Dutch bank. Near the end of the month, New Zealand signed up for a \$230 million loan with Japan. The magnitude of this loan places Japan as one of New Zealand's top sources of funds.

The week that the Prime Minister announced the Japanese loan, he blasted the Dutch and the Japanese, as well as the French in a speech to the Ashburton Chamber of Commerce. He singled out Holland, "once one of our best friends" for supporting the Dutch dairy farmer in the EEC and not giving more vigorous support to New Zealand attempts to maintain a foothold in Europe. Muldoon lashed out at the Japanese for refusing to import more New Zealand produce, gleefully noting that



THE ECONOMY

earlier this year with Swiss banks carried interest rates of around 3 1/2 per cent and two loans negotiated with the Germans carried interest rates of around 6 per cent.

Muldoon is gambling that the exchange relationship between New Zealand dollars, guilders and yen will remain relatively stable during the period of the loans. The Government has been burned recently by borrowing in strong currencies like the franc and the mark. While the interest rates for these currencies have been comparatively low, the interest repayments have become increasingly large as the currencies have appreciated in terms of the New Zealand dollar.

To a certain extent, interest rates on international borrowing reflect the relative strengths of the various currencies. As a currency weakens, the interest rates charged by lending institutions for international borrowing are likely to increase. International lenders want to be able to offer competitive rates of interest while at the same time trying to insure against any future depreciation of the loan currency.

Governments want to borrow in relatively stable currencies since the term of loans is often long and speculation would be risky. Generally, those countries with stable economies can be expected to have relatively stable currencies.

Of course, there will always be some risk for the borrowing country. The currency of a stable economy could appreciate in terms of the borrowing country. Governments usually attempt to avoid

some of the exchange risk by borrowing in several different currencies.

The New Zealand Government has learned this lesson the hard way. In the 1950s, Britain was the source of all of New Zealand's borrowings. This changed when the British began having serious economic difficulties and New Zealand turned to the United States for loans. When the United States went off the gold standard and the dollar became less predictable, New Zealand finally started to expand its borrowing portfolio.

In the late 1960s, New Zealand started borrowing from Germany because of its strengthening economic position and in the early 1970s, the Swiss became another loan source. Last year the New Zealand dollar took a real hammering against both of these currencies as they adjusted to a weakening American dollar. In the 12 months to November 1978, the New Zealand dollar suffered a 15 per cent devaluation against the mark. In the same period,

CHART A: LOANS RAISED BY GOVERNMENT SINCE ELECTION

| MONTH | AMOUNT | CURRENCY | INTEREST |
|---------------|---------------|----------------|----------------|
| December 1978 | \$102 million | German marks | 6 1/2 per cent |
| January 1979 | \$68 million | Swiss francs | 3 1/2 per cent |
| January 1979 | \$113 million | Swiss francs | 3 1/2 per cent |
| January 1979 | \$81 million | German marks | 6 per cent |
| March 1979 | \$95 million | Dutch guilders | 8 1/2 per cent |
| March 1979 | \$230 million | Japanese yen | 7 1/2 per cent |
| TOTAL | \$659 million | | |

the dollar depreciated nearly 27 per cent against the Swiss franc.

Recent relative calm in international currency markets has seen the New Zealand dollar enjoy comparative stability in the last month as Chart B shows. In the last six months the New Zealand dollar, in line with the United States dollar, has gained strongly in terms of the Japanese yen. The yen has been falling in value because of oil price increases. Japan is heavily dependent on imported fuel and is regarded by some as the most vulnerable of all major

powers. Chart C illustrates why it is in New Zealand's interest to borrow from the Japanese at the present time. If a loan with an interest repayment of 10,000 yen had been taken out in September 1978, it would have cost us \$50.50 to pay the interest in September. In March, it would have cost us only \$46 to pay the Japanese their 10,000 yen. In taking out a loan with the Japanese, the Government is gambling that this favourable situation will continue. If the New Zealand dollar were to appreciate by over 8 per cent per year against the Japanese yen, the

size of our capital repayments will also decrease. In the end, we could end up with virtually an interest free loan from the Japanese.

The Prime Minister would do well to remember this next time he analyses the New Zealand-Japan trade relationship. We do import more than we export from Japan (in 1977, about 13 per cent of our exports went to Japan while nearly 15 per cent of our imports came from the country), but with the balance of payments showing signs of worsening, we should be grateful for low cost loans to borrow for financing the

CHART B: PERCENTAGE MOVEMENTS OF VARIOUS CURRENCIES AGAINST NZ DOLLAR

| | Over 12 months March to March | Over 6 months Sept to March | Feb. 22 to March 22 |
|------------------|----------------------------------|--------------------------------|------------------------|
| US Dollars | +10.1 | -0.9 | little change |
| Sterling | +10.1 | -0.9 | little change |
| West German (DM) | -6.3 | -5.5 | +2.4 |
| Yen | -7.7 | +2.2 | +0.8 |
| Aust Dollars | -4.7 | +10.0 | +0.9 |
| Swiss Franc | -10.4 | -6.4 | little change |
| Dutch Guilder | -5.4 | | |

The minus sign indicates the currency has appreciated against the NZ dollar, that is, the NZ dollar can purchase decreasing amounts of the foreign currency.

deficit. Borrowing in Dutch guilders is more risky than borrowing in yen. In recent months Dutch guilders have been regarded as less strong than many of the other European currencies.

But the New Zealand dollar has depreciated slightly more in terms of Dutch guilders over the past six months than it did over the last year.

The Government is banking on the New Zealand dollar becoming stronger in relationship to the Dutch currency over the period of the

loan. The Government is also borrowing from the Dutch to spread itself into more of the world's capital markets just in case it becomes necessary to borrow larger amounts later.

The Government's decision to borrow from the Dutch benefits us as much as it does them. When the Dutch banks loan to New Zealand, they are doing what they can for the economy. It is too much to expect that the Dutch Government should also argue against the interests of its

dairy farmers (and in favour of ours) in the EEC.

To repeat a now familiar phrase — it is high noon for Muldoon. Because he has failed to take measures to stabilise the economy, the balance of payments deficit is expected to worsen later this year. It is time he stopped blaming others for what is largely his own problem.

His sensible plan to spread his borrowing portfolio into weakening, rather than strengthening currencies is one sign that he knows this himself.

Shipping rate slasher seeks conference membership

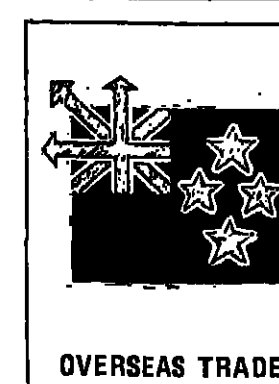
by Warren Berryman

ABC CONTAINERLINE, the Belgian bane of the shipping cartels, has applied to join the two conferences serving the Australia-United States trade.

ABC's owner, shipping magnate Tavi Rosenfeld, is known as the Freddie Laker of the seaways, because of his non-conference stance and rate cutting.

The line will enter the New Zealand trade late this year. ABC's New Zealand agent, Pacific Maritime, a joint venture between Maritime Carriers and Mogal Corporation, has been talking to exporters about shipping at rates 15 per cent less than those charged by conference carriers.

The prospect of these cut rates are now in doubt. According to the Australian Financial Review, the reason



ABC decided to join the conferences was that, "Tavi Rosenfeld's father, Aaron Rosenfeld, is agent in Haifa and Tel Aviv for American flag Farrell Lines — large business that Rosenfeld's senior does not want to lose."

"ABC certainly could not undercut conference rates on routes traded by Farrell without provoking a reaction from Farrell, which is America's second largest shipowner and a friend of the United States Government."

Farrell Lines' New Zealand agent is Dalgety. Farrell is a kingpin in the conference covering the New Zealand-United States trade, along with Columbus and Ace.

Preliminary negotiations have already taken place between ABC and conference members here. ABC has been putting all its marketing emphasis into the Australia-New Zealand-United Kingdom-Europe service, but neglected the possibility of attracting cargoes to the United States. ABC's ships stop in the USA on their way to Europe, but Rosenfeld is not going after United States cargoes for fear of upsetting Farrell Lines.

It is now understood that ABC would like to join the conference serving the New Zealand-USA trade. A final decision might not be made until Rosenfeld visits this country in May.

It is unlikely that ABC would be invited to join the conference covering the New Zealand-European trade, as this is tied up by an arrangement between the conference and the producer boards, and is said to be overtonnaged.

Exporters had high hopes that ABC would introduce rate cutting competition into New Zealand shipping. Unlike other carriers who challenged the conferences with low rates and then either faded away or joined the conferences themselves, ABC is a company of some substance.

Rosenfeld also owns Antwerp Bulk Carriers, an old established line with a fleet of 18 ships ranging from 80,000 to 65,000 tonnes.

The new ABC Containerline service was based on a \$300 million 15-year contract to carry mineral sands from West Australia to the United States Gulf. The four, 43,000 tonne ships now on this run, were specially designed to carry bulk cargo plus, 1200 20 foot containers.

ABC's ships were built in Belgium and financed 70 per cent by the Belgian Government. With this solid asset backing and Government support, ABC was seen to be in a strong position to challenge the conferences.

The guaranteed bulk cargo of mineral sands meant the company would not have to

rely on Australian and New Zealand producer board cargo for bulk. Instead, it could cream off the high freight rate cargoes of manufactured goods from both countries, at below conference rates.

ABC pulled off an unprecedented coup shortly after arriving in Australia, by securing a 1200 container cargo from the Australian Wool Corporation, breaking the conference's long-standing hold on the trade there.

ABC's rush into the arms of the conferences will dent Rosenfeld's maverick image. Rosenfeld offered freight rates 30 per cent less than conference rates when he began his Australian service last September — and evoked a storm of protest from conference carriers who pressured their customers to desist shipping with ABC.

ABC's New Zealand service is expected to start late this year when the company launches two new ships to join the four already in service. The service will be monthly with guaranteed transit times.

As it stands at present, it looks as though ABC will be in bed with the conferences on some routes, and a bitter non-conference rival on others.

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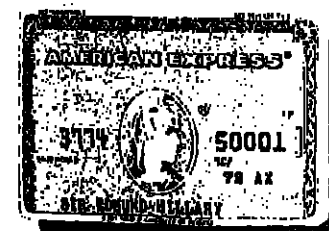
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"It's more impressive to fail on a difficult objective than succeed on a modest one"

American Express, in conversation with Cardmember Sir Edmund Hillary.



Sir Edmund ("call me Ed") Hillary: Mountaineer, Adventurer, Explorer, Author, Businessman, Nepalese Bridge Builder, Chairman of the Himalayan Trust. Attended Auckland Grammar where, despite the motto (Per Angusta ad Augusta — Through Narrow Paths to the Heights) he remained uninspired. Eventually discovered mountains, conquering the biggest of them all in '53. Became the youngest Knight of the century. Other remarkable achievements include driving a convoy of farm tractors to the South Pole.

A.E: I read the other day where someone said that if you are going to dream of impossible things you might as well dream of big impossible things.

H: I agree actually. A challenge is more confident of overcoming is more worth starting. Why bother if you are quite confident that you are going to overcome it? The real challenges are ones that extend you to the limit. Where there is always doubt as to whether or not you are going to be successful. Then, when you succeed, if you do succeed, you have a great sense of achievement. It's more impressive to fail on a difficult objective than to succeed on a modest one.

A.E: Have you always had a clear picture of your goals?

H: No, I don't think I did. People say "When did you first really get your ambition to climb Mt. Everest?" I didn't get my great ambition to climb Mt. Everest until a year or two before I'd been climbing for years before I even thought of the prospect of going to Mt. Everest.

A.E: You didn't tell your mother in law that you were going to climb Mt. Everest?

H: No, no. You know, there was old Mr. Smyth who was one of the great mountaineers and wrote lots of books. I wrote in one of his books that when

he was a young child his parents took him across France. His mother was holding him in her arms, suddenly on the horizon, he saw a great white mass of mountain peaks whereupon he duly rose up and pointed in the direction of these peaks said "go gaga gaga gaga". Which meant (supposedly), "I'm going to become a famous mountaineer". Well, that's really a lot of rubbish. People tend to try to give you ideas and a future far before you ever had these firm convictions.

A.E: At what age did you realise you were going to become famous?

H: It wasn't until I actually climbed Everest that it suddenly dawned on me that I was going to be in the uncomfortable position of being famous. Before Everest, even on the mountain, I had never really even thought about it. We were much more innocent in those days. Nowadays, the modern athlete is aware that if he is very successful there can be economic, substantial economic benefits, from what he does.

A.E: If Ed Hillary had climbed Everest in the '70's, the 33-year-old Sir Edmund Hillary would have been a very marketable item indeed. Are you glad or sad that you escaped that kind of marketeering?

H: Very glad. I have a little bit to do with it anyway, but I have been able to keep it to what I regard as a reasonable minimum. There are advantages of course, as far as the fame business is concerned in raising funds for projects. In things of this nature, it certainly has been very beneficial. But I don't envy the great athlete of today who gets involved in the tremendous commercial rat race.

A.E: Did Neil Armstrong's giant step, I wonder, create as much excitement for people as Ed Hillary's? I remember looking at the moon and thinking, "Hey, there's somebody up there", and the people around me were walking along looking down at the pavement.

H: There's a tremendous difference in the challenges and adventure of today. It's not only the achievement of the individual but the thrill of those back in Houston pushing all the buttons. I think it was probably more fun in our day in that you were the one who had to make the decisions. . . . you weren't just a part of a very highly qualified technology which was thrusting you almost into position.

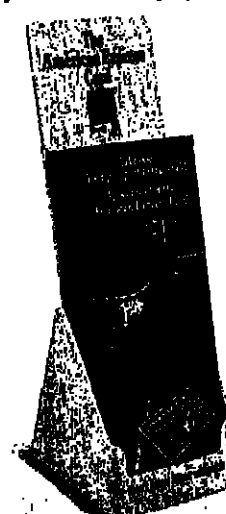
A.E: Decision-making is obviously a characteristic of a mountaineer . . .

E.H: I think that most people can learn to become decision-makers. I certainly was never anything like a born leader but I found that over the years there were certain techniques that one could follow which enabled one to handle groups of people who could easily be far more efficient and far more intelligent perhaps than oneself. The thing I always found was doing your homework. Before you went to bed each night, you just went through in your mind what was going to happen next day and briefly thought out what problems you might meet and what you would do if those problems did occur. Now, that meant that if something did happen you had thought the matter over and you were in a position to give a competent decision immediately.

A.E: How long have you had the Card?

E.H: For five or six years, and find it most useful for identification. For example, in American hotels where they often ask you for identification before you even check in, I've found the American Express Card is particularly valuable. It really does give you formal identification. It does have a definite status; there's no question of that.

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ROB MULDOON . . . gambles on exchange relationship.

The Government was punishing them by buying \$30 million worth of railway carriages from Hungary instead of Japan because the Hungarians would take an equivalent amount of our products. But if Holland and Japan are so nasty to us, why does Muldoon borrow money from them?

Also, why is he willing to pay them such high interest rates? As Chart A records, the loan negotiated with the Dutch carries an interest rate of 8 1/2 per cent and the Japanese loan carries an interest rate of 7 1/2 per cent. Loans negotiated

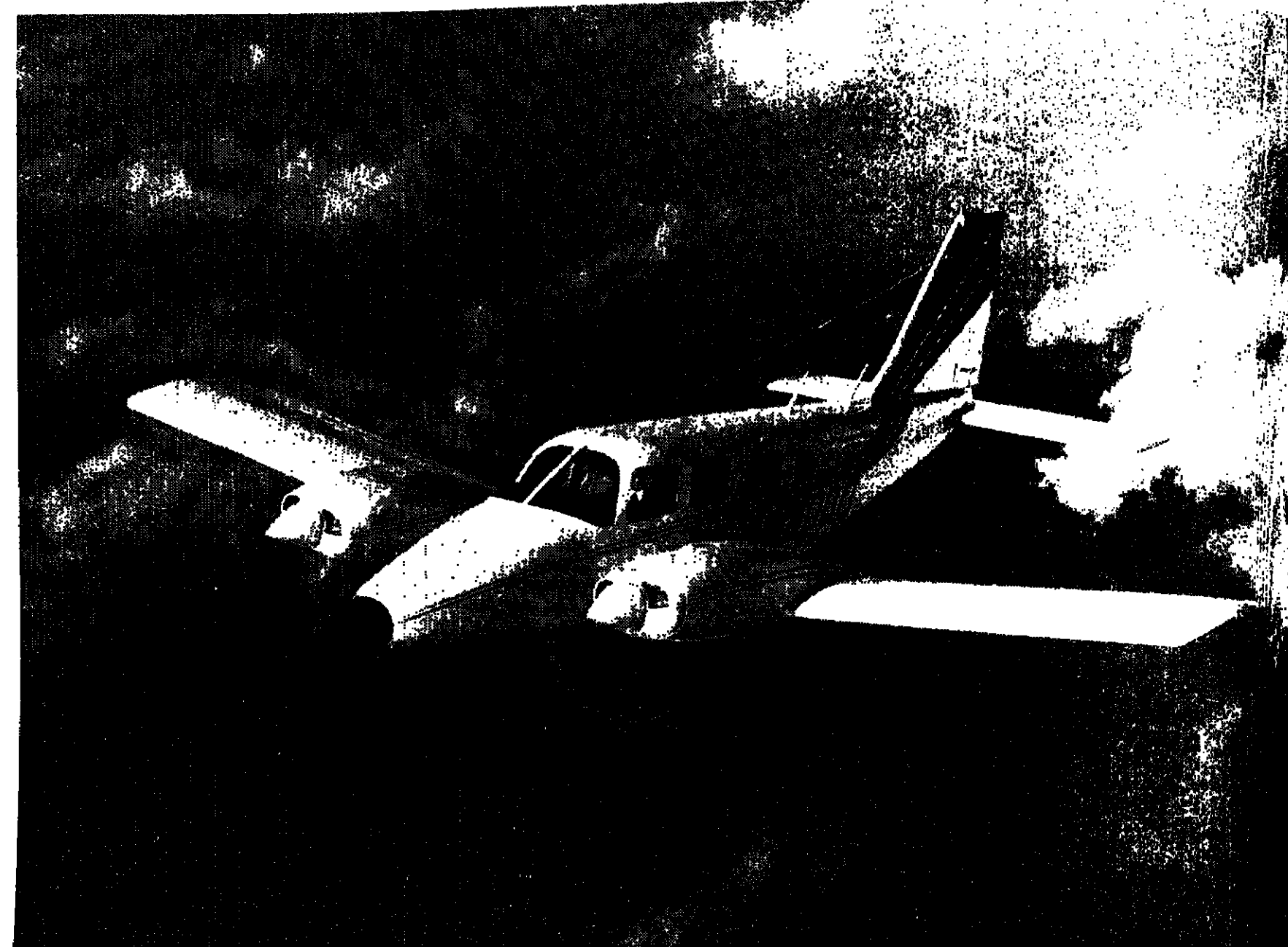
CHART C: PAYING INTEREST TO JAPANESE LENDERS

| IN SEPT. 1978 | IN MARCH 1979 |
|--|---|
| NZ\$100 would buy 19,800 yen | NZ\$100 would buy 21,600 yen |
| To pay interest of 10,000 yen NZ would pay \$50.50 | To pay interest of 10,000 yen NZ would pay \$46 |

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Williams profile: take profit out of drug deals

by Helen Vause

WHEN criminal lawyer Peter Williams took the surprising step of calling for a drug trial jury to be polled, the ramifications of his move spread far beyond the Wellington Supreme Court where the particular case was being heard.

The Minister of Justice Jim McLay called for a report on the polling and the former president of the Court of Appeal Sir Alexander Turner published an editorial on the subject. The Williams' precedent sparked off widespread discussion on the polling issue and our jury system.

Back in Auckland, Williams is still somewhat surprised at the ripples he caused. At the time, he says he was solely concerned with the case at hand but it wasn't the first time he's felt a jury verdict may not have been unanimous. Neither was the move a precedent.

Peter Williams had un-

successfully called for a jury poll in Hamilton some years ago.

In the midst of legal debate on the subject, he's adamant his move should not be a once.

"Regardless of what anyone says, if I think the circumstances are appropriate I will apply for a poll. If a trial lawyer expresses to the judge that two or three of the jury seem to indicate that they disagree with the announced verdict, the judge must take cognisance of that and the poll is the only answer.

"I can not see how polls can ever be eradicated. If there is uncertainty of the demeanour of the jury as to whether they concur, surely asking them to put their hand up is little to ask.

"The only time polling juries can be opposed when findings of guilt have been announced by a foreman, is when a prosecutor is afraid that if a poll is taken it will be revealed that a jury is in fact not unanimous," Williams said. His peers in Auckland's

courts have reacted favourably to the polling says Williams. But perhaps more importantly he has been directly approached by at least 10 ex-jurors "... without exception these people have agreed with the need for a polling procedure, and in a surprising number of cases have told me that the decision would have been different on their cases if polls had been held. This leads me to think that in many cases in the past we in fact have had majority verdicts in New Zealand."

Williams, 44, is a familiar figure in Auckland's Courts after more than 20 years of predominantly practising in criminal law. His clients tend to be those facing serious criminal charges and by his own admission he is one of the most experienced drug defence counsels in New Zealand.

When he loses a case the prison door clangs shut on his client for a very long time. There is a lot to be lost. Williams always has a lot to fight for and perhaps this is what has led him to reflect more deeply on the system than many of his peers.

NBR: What do you think is

wrong with the jury system? Williams: "The jury system should provide a true cross-section of the population and also should mirror the current mores of our people. What is happening at present, is the lower and top strata are being cut off the jury rolls. Firstly, by statutory censure and secondly, by Police censure under the guise that these people are not of good repute which is a very nebulous concept. The upper strata is also virtually cut off because so many people in that strata are in professions that are exempt from jury service which means instead of getting a representative group on our juries, we are getting very much the bourgeois middle class.

NBR: You also believe that jurors can feel intimidated? Williams: "Definitely."

NBR: Isn't this an inherent fault in the jury system which we have to live with? Williams: "That is true but your question merely emphasises the need for an antidote."

An ardent civil libertarian he is generally concerned with prevailing values and the moral premises on which our criminal law is based.

"Take for example our attitude towards drugs. We accept too quickly the premise that if drug dealers are very severely punished, the drug problem will be reduced generally in the community, whereas a more careful consideration of this premise results in quite different answers to the problem."

"For example, there is a strong argument that drug

addicts should be encouraged to register and that supplies of narcotics should be given to them by authorised doctors, either at nominal prices or at reasonable prices. This would mean that there would be no profit to be made in pushing drugs.

"As soon as you take the profit motive away from pushing drugs you almost certainly will substantially reduce the number of pushers. This has been clearly proved in England and further the final report of the Joint Committee on New York Drug Law Evaluation clearly demonstrates that the severest of penalties in fact do not curtail drug pushing."

"The present system, which encourages profits, also indirectly encourages criminal activity by those addicts who desperately require money to buy their supplies. The arguments in favour of reducing the profit in narcotic dealing, encouraging the users to register and the decriminalisation of marijuana are absolutely overwhelming and compelling."

In his more recent years in the courtroom, Williams has seen the drug problem mushroom, penalties toughened and scores of young New Zealanders go to prison. "We have an inordinate number of people, including a lot of excellent young people spending in total, hundreds of years, locked up in our prisons. Not only is this not benefiting them, but it is not helping society."

Apart from drug penalties he believes New Zealand suffers from what he calls "Lock-up-itis".

"I heard a judge once speak on what basis he used for passing sentences on prisoners, and he said that the main basis was to pass the type of sentence that the community expected to be passed. To my mind the community vote, is far too gross a thing. It is the lowest common denominator and not particularly articulate.

"I am sure that New Zealand's very high ratio of people in prisons is not suppressing crime and is extremely deleterious to many completely innocent people—wives, children, parents, etc."

NBR: Why do you think New Zealand has not followed the more liberal examples of the criminal systems in countries like Holland and Sweden? Williams: "I think our penal policies are largely dominated by the views of senior policemen which receive wide dissemination because of the marriage in this country between the police force and the press. The press derives a large amount of its source material from the police and the police reciprocally are able to use the press to continuously spread their views on crime and ancillary matters."

NBR: Do you think the Law Society should become more of a pressure group? Williams: "The Law Society has traditionally been a conservative group and its committees make an enormous contribution towards legislation generally but it has always been somewhat slow in criticising police activity or police views. It is not a fashionable thing to criticise the police."

Iran team could redde faces

by John Draper

AYATOLLAH Khomeini's Islamic inspection team could cause meat exporters considerable embarrassment when it arrives after Easter.

Iran, New Zealand's second largest customer for lamb before the Shah was toppled, is short of meat.

But New Zealand cold stores are almost bare and if a big order follows the delegation's visit, then the export works are going to find it difficult to supply.

Last year the Iranian Meat Organisation bought 27,000 tonnes from New Zealand and the Meat Board is determined not to lose a good customer. John Board spokesman, John Cornwell said: "It might mean diverting supplies from Britain but Iran is a good market and one which we have high hopes for."

Greece, Italy, Iraq and other European markets are absorbing most of the lamb taken in past years by Iran. And some sources expect there will be only 8000 to 10,000 tonnes of lamb left for Iran and other buyers who have not yet placed orders.

The strong demand and a drop of 18,000 tonnes in lamb production has cushioned the trade against the Iranian loss. It is still not certain the Iranians will buy this season.

New Zealand and Australia are the only two countries which could supply lamb in the quantities needed. Ayatollah Khomeini's strict Islamic regime now seems to have overcome its initial dislike of frozen lamb. Cold store stocks from last season have recently been released raising meat exporters hopes. The delegation's main purpose is to inspect freezing works and killing methods to ensure they conform to Muslim standards.

On another front, protesting Mexican farmers have temporarily dashed Meat Board hopes of a combined beef and lamb deal with Mexico, but the board expects them back.

The American beef boom, however, has offered relief with the consequential demand for mutton virtually accounting for the season's kill already.

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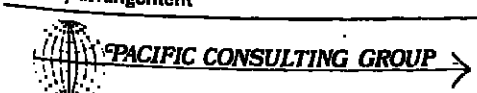
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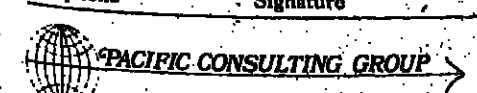
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State aims to tighten private sector credit



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Why creditors hope court okays NAL lift-off

by John Draper

FIFTY creditors owed nearly \$250,000 are hoping the Supreme Court will untie the legal knots and allow Nationwide Air Ltd to take off. With the court's backing, the creditors might get 30c in the dollar back. Without it, their prospects are bleak.

The scheme to save the creditors, approved by the Supreme Court in Christchurch recently, is conditional on the Supreme Court in Christchurch ordering the Air Services Licensing Authority to change its mind on the company's Carvair operation.

In 1977 the authority declined to substitute the converted DC4 freighter for a 10-seater Aero Commander on Air North's licence, and withheld its approval for the transfer of the same licence to Nationwide Air Ltd.

If the Supreme Court overrules the authority, Nationwide Air Ltd will get \$15 per Carvair flying hour to pay off its creditors.

Hamilton-based Eagle

Airway's Ltd petitioned the Supreme Court last year in an attempt to recover \$1870.

General manager Malcolm Campbell says it seemed to be the only way. "Other creditors had done the same thing and been paid, so we tried the same approach."

The petition was joined by other major creditors, including the Inland Revenue Department claiming more than \$52,000.

Now \$800 further out of pocket in legal expenses, Eagle Airways has almost given up hope of recovery. "The scheme of arrangement is something like the script from a Walt Disney film," Campbell said.

Debts were frozen at December 6 last year and Nationwide Air Ltd has effectively stopped operating. Estimated losses at that date totalled \$733,320. A sizeable proportion is understood to relate to Air North Ltd before it was taken over.

Assets were valued at \$145,637. These included a DHC

Heron valued at \$73,734 but of indeterminate market value, which is security for a BNZ Finance loan of \$46,562.

The company also had an overdraft of \$38,455 with the Bank of New Zealand, which put in a receiver last year.

Nationwide Air Ltd's parent, the Haulways Corporation, also in receivership, is the largest creditor. It is owed \$247,777 net and stands at the back of the queue for repayment.

Nationwide Air Akarana Ltd, the only Haulways subsidiary not put into receivership last year, has now joined the rest of the group.

Even if the Supreme Court judgment favours Nationwide Air Ltd, the Air Services Licensing Authority still has to approve the contract allowing Nationwide Air International Ltd—the company formed to get the Carvair operation off the ground—to operate them.

If it does, the preferential creditors (the Bank of New Zealand) must be paid within a

year, and the unsecured creditors 15c in the dollar in the following year.

After getting a further 15c in the third year, the unsecured creditors will assign their remaining debts to the receiver.

Failing these conditions, the company will be liquidated.

Meanwhile the Carvairs at the centre of the controversy are flying, and according to Nationwide Air International, are getting more freight than they can handle.

Behind the figures and the court actions is a battle between a private enterprise buccaneer and the state-owned New Zealand Railways.

More than 15 years ago Matt Thompson started fighting the Railways over the delivery of new cars.

His application to use road freighters was turned down by the Transport Licensing Authority so he employed 47 drivers to convoy the cars around.

Later his application was successful. Expansion rapidly

followed, eventually stretching management and finance beyond breaking point.

The Cook Strait was the next bottleneck to be tackled, to overcome delays and expensive idle time.

After one abortive attempt to get into coastal shipping, Thompson took to the air.

Early applications to the Air Services Licensing Authority in 1977 were withdrawn after drawing objections from every other national transport operator—among them, the Railways, the then National Airways Corporation, Union Steam Ship Co and the Shipping Corporation.

Thompson then tried to get in through the back door, buying Air North and later Akarana Air Ltd.

The aim was to substitute the Carvair freighters on the existing licences which would then be transferred to Nationwide Air Ltd.

The Air Services Licensing Regulations, passed in 1951 when airfreighting was still in its infancy, allowed aircraft to be substituted based on seat numbers—a 10-seater for a 10-seater.

And in the terms as written, there was nothing to stop a Jumbo jet with four seats being substituted for a four-seater Cessna.

The authority, realising the loophole changed its rules, refused to transfer the licences to Nationwide Air Ltd.

Other delays in bringing the

UEB continued from page 3. not UEB's first foray into the tourist industry.

UEB previously bought and later disposed of a 20 per cent shareholding in Travelodge. Why did it sell? "The name of the game is 100 per cent control," Tedcastle said.

As for further acquisitions in the tourist industry, Tedcastle said, it was not necessarily his company's intention to put money into brick and mortar. But this did not preclude management contracts or lease-back arrangements to run further hotels.

Tedcastle was not willing to discuss UEB's future directions for expansion for fear of scoping his own shareholders. But he left no doubt that he thought UEB's management skills could be profitably turned to other growth industries.

His company's present strengths, he said, were in carpet manufacture and packaging.

The company's lucerne drying and pelletising operation has been at best only marginally profitable. This resulted from the depressed prices in Japan for a high priced product, the appreciation of the yen, and rising prices for the fuel oil used in the drying process.

Tedcastle rose to the top through UEB's flexible packaging division. This field is his forte—and promises to be a source of new ideas and products for the company.

He sees the packaging industry as the middle man between the producer and his overseas customers, offering the exporter protection for his product in transit and promotion on arrival in the marketplace.

Some of Tedcastle's pet projects include:

- A polythene heat-shrunk bag to go around lamb carcasses exports. New Zealand lamb exporters presently use an imported cheesecloth-type material which offers little protection against freezer burn and weight-loss. UEB is working on the polythene bag which is intended to prevent these but polythene is slippery when wet which makes the carcasses hard to stack. So

two aircraft to New Zealand are estimated to have cost around \$250,000 but having landed, and with the Supreme Court action lodged, the company flew ahead.

Now the authority has filed its defence, allowing the Supreme Court to set a date for the hearing, probably sometime in June.

But to cover any gaps Nationwide Air International Ltd has applied to the authority for a licence to operate four Carvairs between Wellington and Christchurch, Nelson and Blenheim, Christchurch-Auckland.

To cope with the growing demand, the company has taken out options on three Carvairs being sold by Sir Freddie Laker's British Air Ferries.

It is understood the British airline is interested in taking a share in the expanded operation getting back into the New Zealand airfreight scene which it pioneered as a major partner in Safe Air Ltd through its holding company Air Holdings Ltd.

Nationwide, with its low operating costs, is undercutting Air New Zealand, offering an alternative door-to-door service between Auckland and Christchurch.

Freight forwarders and other aviation operators are also taking a keen interest in Nationwide's future with view to participation, if no takeover.

UEB is developing a non-salt surface for it. The remaining impediment to getting the product off the ground is bucking the English custom, who Tedcastle said, are resisting any change.

● Cardboard milk cartons. Those cartons have boosted milk sales in Australia and some New Zealand milk corporations favour their adoption here. New Zealand Forest Products is working on production of the specialised cardboard and UEB would make the cartons which could be used for milk or fruit juice.

● Cartons for the export of New Zealand water from the Manapouri outlet. Tedcastle said he saw a good market for water in Asia and the Middle



ROB TEDCASTLE, entrepreneur.

East. Packaging will take the form of a litre cardboard carton or bulk packs. The large packs would be on the plastic bag in a cardboard box principle now used in the wine industry (another of Tedcastle's projects).

As for Tedcastle's management style, the best judge of this might be his fellow executives at UEB. His appointment has been greeted with enthusiasm. There is a spirit of excited expectancy about the place. Tedcastle said UEB had always had a high degree of delegated responsibility. "Each divisional general manager is running his own business in his own right. I don't want a load of people coming to my desk for decisions."

"I've grown up with these guys. I know their strengths but, in the final result, the buck stops here."

Abusive stench infects Queensland politics

by Spro Zavos

FOR a New Zealand journalist living in Australia observing Queensland politics seems like looking at a re-run of the days of fear and loathing that infected New Zealand during the stormy months before the 1975 elections. The Queensland Parliament has just had a debate on a motion proposed by the Premier Johannes Bjelke-Petersen censuring the Labour Opposition. Labour MPs dignified the debate by calling the premier a "guiltless dingo".

Former Labour leader Tom Burns shouted at Bjelke-Petersen: "You wouldn't even fight for your country". Labour leader Casey said Queensland was governed by a "corrupt, dishonest, inefficient and unethical government". "The stench of corruption surrounds its decisions and pollutes the corridors of Cabinet".

John, as he is known to his friends, is not the sort of politician who turns the other cheek. In a scathing reply, he told Casey that he was "a dishonest man. By being dishonest in business he got out from under and left owing many people huge sums of money. His own pockets still bulge with the money of the Queensland taxpayer". The culmination of a Liberal debate came when a Liberal



THE AUSTRALIANS

Party member called the premier a "power drunk egotist". Dr Norman Scott-Young continued, amid uproar, "this is not a political opinion. It is a medical one." The Liberal party is in coalition with the National Party of Bjelke-Petersen. The outburst against him by a coalition member was sparked off by the premier's decision to prevent the Liberal Party leader Edwards from opening a hospital which had invited him to do so.

Incidents like this, make it easy to dismiss Bjelke-Petersen as a wild-eyed ranting. He is that at times. He is also a shrewd political operator. His party wins only about 30 per cent of first preference votes but because of a massive gerrymander, it has (with its Liberal coalition partner) a huge majority in the House.

The premier was the first Australian politician to take on Gough Whitlam when he was riding high as Prime Minister. Whitlam made the DLP Senator, Gair, ambassador to Ireland in an attempt to change the deadlock in the Senate in his favour. He acted without thinking about Bjelke-Petersen's political cunning. The Queensland premier appointed, as was his right (and violating the convention) a person of his own political persuasion. This appointment was crucial when Fraser came to use the Senate as the way of getting Whitlam out of power.

In Queensland itself, the premier is personally very popular. He is a hard liner on law and order. His administration has forbidden street marches in the forbids of Brisbane and this regulation has provoked many clashes between the police and demonstrators. For years Playboy has been banned in Queensland and there is talk of additional censorship measures. For instance, an



BJELKE-PETERSEN... doesn't turn the other cheek

Australian film about the Vietnam War starring Grahame Kennedy, entitled "The Odd Angry Shot", was filmed with two prints—one for Queensland without any four-letter words.

The premier is a vindictive man who plays politics very hard. Bob Jones' description of Muldoon comes to mind when thinking about Bjelke-

Petersen: "he takes no prisoners". Indeed there are many similarities between the two leaders, in personality, style and political belief. It was not surprising that when Muldoon went to Brisbane to make a speech several years ago, he was received with acclamation.

Once had to interview John. I was rather nervous, expecting a man of formidable stature and presence. He turned out to be a little, lithe, deeply tanned man, wiry rather than stocky, who spoke softly and looked as though he wouldn't hurt a fly. Except what he was saying in his low-pitched, unemotional voice was remarkable for its bitterness and savagery against the then Whitlam administration.

Queensland is a curious place. Sophisticated Australians think that the sun has added the brains of its inhabitants. It is extremely reactionary, provincial, small-town, with a chip on its shoulder over the way its wealthier and more suave city



GOUGH WHITLAM... failed to see cunning

cousins in Melbourne and Sydney look down on its quaint, old-fashioned ways. Its premier reflects these values. Curiously, he is a peanut farmer millionaire like Jimmy Carter.

When I told a friend that Bjelke-Petersen was born in New Zealand, he looked at me startled and said, "There must be something wrong with the water there."

"Last year we exported almost \$400m worth of manufactured goods to Australia. Were any yours?"



Ray Barrett for Union Company.

If you're a manufacturer you'd do well to take another look at Australia—our closest, and largest market for manufactured exports. Last year Union Company's new roll-on, roll-off vessels carried over 600,000 tonnes of New Zealand manufactured goods to Australia on its continuous trans-Tasman service. That's 80% of our total Australian exports. If you're a manufacturer, talk to Union Company about exporting to Australia.



Each month 8 containers of 'Allenson Industries' new wooden doors leave Otaki for Australia. This year, this enterprising New Zealand firm celebrated 21 years of exporting with Union Company.

"They've always given us superb service" said Allenson Industries' Marketing Manager John Allen.

Within seven days of leaving the factory, Allenson wooden doors are on Australian building sites. "As a small exporting company we rely on Union Company" said John Allen, "We certainly haven't been let down."

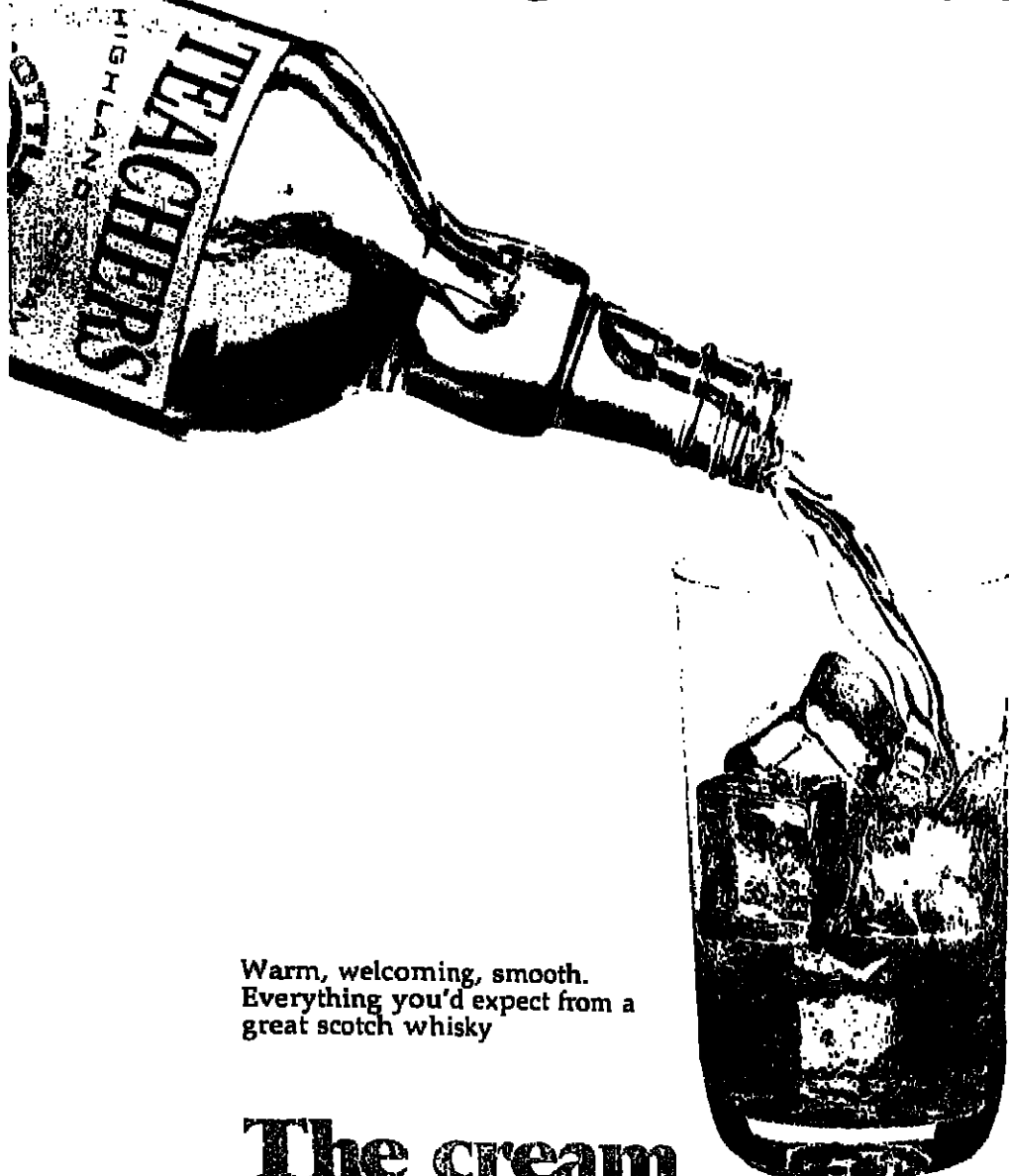
Union company



every day one of our ships is in one of your markets.


Talk export with Union Company. New Zealand Branches: Auckland 774-730, Tauranga 53-199, Wellington 729-999, Nelson 81-459, Lyttelton 7149, Dunedin 77-20.

TEACHER'S



Warm, welcoming, smooth. Everything you'd expect from a great scotch whisky

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**Make an appointment
with your GM Dealer with Holden
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Full sized H2's got all the room – but the medium size Sunbird has the same brilliant new handling, so much so, an ordinary test drive isn't enough for either of them. Take them out for two days – you get to grips with RTS. This is a very special

48 hour test drives available from the following participating General Motors dealers

Cambridge has all the features for a presentab

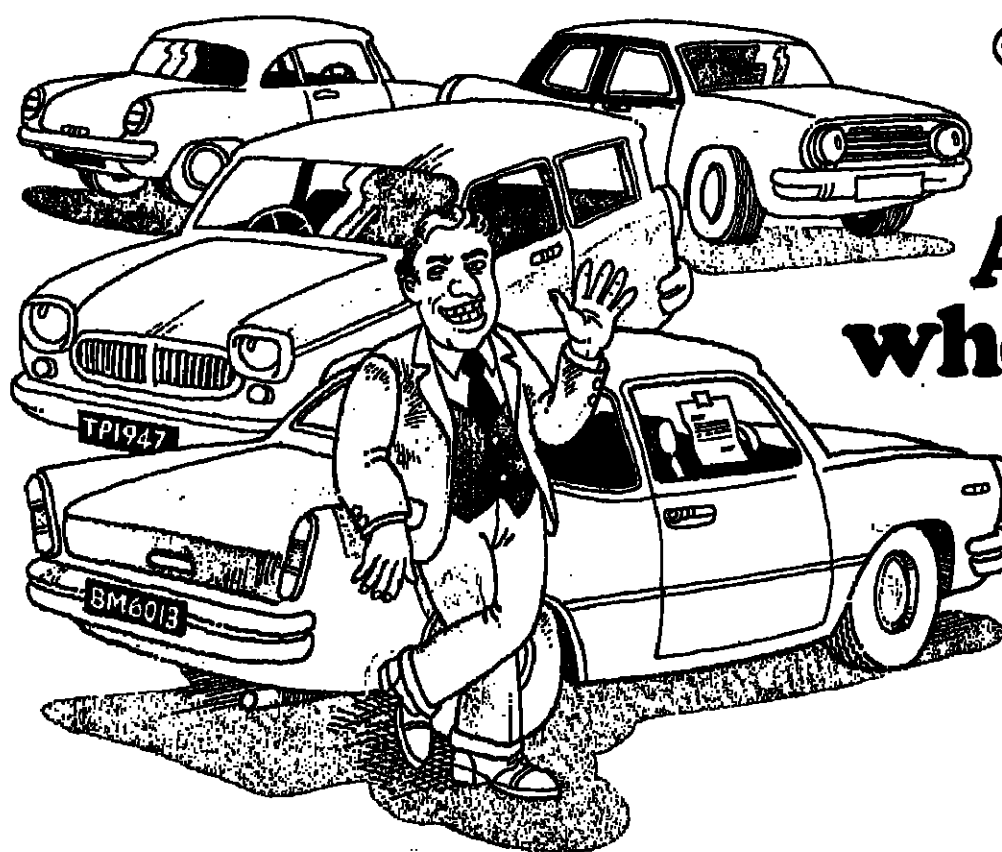
I.M.V.D

Amblerley Arthur Burke Ltd. Marikham St. Alexandra Cooke Howlson Ltd. Limerick St. Auckland Schofield & Co. Ltd. 68 Broadway, Newmarket Balclutha Gears Ltd. Clyde St.
Blenheim Terry Motors Ltd. Scott St. Carterton Carley & Harcombe Ltd. High St. Christchurch Blackwell Motors Ltd. 300 Manchester St. Blackwell Motors Ltd. Corner Chalmers
St. Main & Bain Rd. N.Z. Farmers Motors (Canby) Ltd. Corner Cash & Madras Sts. Carthy Motors Ltd. 166 St. Asaph. Canterbury Penfanceville Bailie Farmers Motors Ltd. High St. Darfield
Gibsons Motors Ltd. 15 South Toe Dunedin Cooke Howlson Ltd. 294 St. Cooke Howlson Ltd. Andersons Bay Russell Road. Hawke's Bay Havelock Ballie Farmers Motors Ltd. 103 Manchester St.
Geraldine Harvey Motors Ltd. Talbot St. Gisborne Ormondes Motors Ltd. 264 St. Gore GWD — Bussell (Gore) Ltd. Main St. Hastings Ebbett Walkato Ltd. Great
Anglesea St. Hastings Bailie Farmers Motors Ltd. Corner Queen & Nelson St. Hastings Ballie Farmers Motors Ltd. Gore GWD — Bussell (Gore) Ltd. Main St. Hastings Ebbett Walkato Ltd.
Hastings Ballie Farmers Motors Ltd. 264 St. Gore GWD — Bussell (Gore) Ltd. Main St. Hastings Ebbett Walkato Ltd. Hastings Ballie Farmers Motors Ltd. Havelock Rd.
(Hutt) Ltd. Corner Waterloo Rd. — R. Little St. Wairoa Ltd. Leeson N.Z. Farmers Motors (Canby) Ltd. Ballie Farmers Motors Ltd. Havelock Rd. Huntly Ebbett Walkato Ltd. Great
Howlison Ltd. Gordon Rd. Napier Bailie Farmers Motors Ltd. 330 High St. Manurewa Paine Motors Ltd. Belmont Rd. Levin Wrights Ltd. 1-11 Exeter St. Lower Hut Mental Motors
Motors Ltd. 20-34 Hall Ave. Paine Motors Ltd. Great South Rd. The Hackney St. Nelson Wrights Ltd. 126 Trafalgar. Masterton Wagg & Harcombe Ltd. Dixon St. Mangai
Ltd. Reeves Rd. Palmerston North Porter Motors Ltd. 126-150 Rangitikei St. Parnell Motors (Pearce) Ltd. Belmont Rd. Pakuranga Wainwrights Ltd. 28 Severn St. Otahuhu
Rotorua Rotorua Motor Transport Co. Ltd. Old Tapanui Rd. Taihape Haurangi Motors Ltd. 120-122 Main St. Tairāwhiti Motors Ltd. Lyttelton Ave. Rangiora Wainwrights Ltd. 470 Pakuranga Rd. Paingi
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Walkato Ltd. Taupo St. Upper Hut Wainwrights Ltd. Ferguson Dr. Waikanae Bailie Farmers Motors Ltd. Pollen St. Timaru Harvey Motors Ltd. 6 Sefton St. Tokoroa Ebbett
Wilks Motors Ltd. Guyton St. Warkworth Rodney Motors Ltd. Queen St. Wellington Wrights Ltd. Upper Hut Wainwrights Ltd. Wairoa Ormondes Motors Ltd. Paul St. Wanganui
Motors Ltd. Wallon St.


New Zealand
Manufacturers' Federation
Approved
Insurance Scheme

Ask your adman who is pretty hot on advertising.

Multi-Net. Our track record shows we really know how to keep your people tuned in to us.



Ask your adman who gives you the big discounts and how much.

Multi-Net. We'll tell you too. From 10 up to 25% depending on which network you need.

Ask your adman what's lighter (on your pocket) than air.

Multi-Net. Compare the cost effectiveness of radio and you'll see your advertising dollar is well invested.



Ask your adman if he wants talk back or feed back.

Multi-Net. Results are what count and we make sure you get them. We've got a lot of time for you.



Woolworths stirs press

THE disappearance of Woolworths' advertising from the columns of daily newspapers during March and its reappearance in the form of household circulars has set many chins a-wagging. But in NPA circles, jaws are tightly clenched. No wonder. If Woolworths are seriously considering alternatives to press advertising, then one of New Zealand's major press advertising accounts could go down the drain with quite serious repercussions.

Woolworths' executives are pretty tight-lipped about the exercise, too, regarding it as a matter of marketing strategy which they don't want to broadcast to their opposition. The circulars took the form of 12-page advertising tabloids, printed in three flat colours, prepared and produced by Woolworths' staff. They were distributed only in areas where Woolies had both variety stores and supermarkets. Nearly 600,000 copies were printed — enough to cover between half and two-thirds of the occupied dwellings in New Zealand.

An issue dated March 26 and delivered in Wellington advised readers to "Look for our advertisement in your local paper next Tuesday" but the mailbox drop may continue past the end of March in some areas.

It is known that Woolworths has been concerned at continually rising advertising rates. And it is understood that it would be happy to see its print advertising handled by an advertising agency as its electronic advertising is now. But the NPA bar on commission payments for retail advertising prevents this. Some newspapers breach this edict and are willing to make commission deals on retail advertising in certain specified circumstances.

Large scale advertisers such as Woolworths find such practices "discriminatory". The real reason for the venture remains an enigma. A guess could be that the chain is conducting an evaluation of an alternative advertising medium. It is uniquely placed for a comparative test of cost-effectiveness, for in this kind of operation sales results show immediately or not at all. Or it could be an early warning signal to daily press that no one medium has a stranglehold on the company's advertising.

In an attempt to impress its staff with the serious consequences of losing Woolworths' advertising, INL's Wellington Newspapers Limited ran an item in its house magazine. After stating

that the Evening Post would lose 20 full pages in the month of March, it went on to say that total loss of advertising could cost the company revenue in excess of \$250,000 per annum, "with subsequent effect on the overall profitability of the company and ultimately job security."

With that ominous warning echoing in their minds, staff must have been more than mildly surprised to find the INL imprint appearing on the Woolworths' circulars distributed in the Post's circulation area. The value of the print order could not be ascertained but in the swap of printing for advertising INL certainly fared better than those other papers left with large chunks of space to fill.

Letting left hand know about right hand rule

DOBBIS WIGGINS McCANN ERICKSON is busy with a campaign for the Ministry of Transport to let a confused public know — again — which way it is supposed to turn at intersections, and who gives way to what, when.

David Woodley, administration officer with the road transport publicity division of the MOT, says the cost of the campaign will be around \$80,000, "higher than normal because the ads which are featured in 27 papers, including provincials, used photographs of actual intersections in the localities".

The idea is that apathetic locals will feel more involved, and perhaps even read the message, if they recognise the picture.

But why spend public money to advertise regulations so recently introduced? The MOT says this has been a demand for clarification from members of the public and groups such as the Automobile and Driving Instructors' Associations, who have written to the Minister expressing their views.

"Nevertheless, there is 'general opinion that the new rules should remain'."

While there are no individual figures on traffic offences caused as a direct result of the rule changes, accidents if anything have shown a slight drop.

In answer to J E Walker

A LETTER written by J E Walker of Gisborne, and published in our issue of March 7 asked some pertinent and



worthwhile questions about retail advertising and agencies, and offered the opinion that "the answers to these questions and any general discussion that develops will be of interest to a wide section of your readers". We are happy to answer these queries.

"Is there 'wholesale' as well as 'retail' advertising and if Woolworths is classified as retail, is banking, insurance, Watties..." was the tenor of the opening questions. The answers to these questions are rooted in early advertising history.

Retail advertising, in its original connotation, was advertising conducted by a retail shop dealing directly with the public and located within a defined radius of the local newspaper in which it advertised (because this definition preceded the advent of electronic media). Presumably because the retailer had no alternative medium and so, if he advertised at all, must use the local paper, no commission would be paid to any advertising agent handling such advertising. So, in advertising agency terms, "retail" came to mean "non-commission bearing" advertising.

The business on which newspapers did pay commission was termed not "wholesale" but "national", and was from companies which distributed their products or services over a number of territories not confined to the circulation area of any individual newspaper. As the paper did not have a monopoly of the advertising opportunity, it was willing to pay the agency for its effort in selling the space on behalf of the newspaper.

Later on, came the chain-store phenomenon, and "national retailers" such as McKenzies, Woolworths and Self-Help came into existence. They were nationally owned, organised and managed, but they were still retailers in the eyes of the press. So though advertising agents in some cases actually prepared and placed the newspaper advertising, no commission was paid.

Subsequently, radio and then television stations worked out their own interpretation of national and retail advertising, and the agencies' part in securing and servicing the business was generally recognised by the payment of commissions on the part of electronic media.

Then our reader asks one of the knottiest questions possible regarding the client-agency-media relationship. "Is an advertising agency an agent of the newspaper or an agent of the advertiser?" An agency must be officially recognised by media, an act which takes the form of "accreditation" from a media body. This entitles the agent to receive commission from media. On behalf of its media principal, it can act without reference (except regarding availability) in selling space or time. But it cannot buy that space or time without prior approval from its client. So it seems that the agency is the agent of the media, but the representative of the client. The remaining questions seem to ask for a reason for the

payment of commissions to advertising agencies by media.

Agencies, by supplying volume sales of space or time, perform a function which would otherwise require a large media sales force. The commission represents a fairly low selling cost. Media also save operating costs in dealing with a small number of agencies instead of hundreds of individual advertisers and in receiving advertising material in completed form ready for publication as well as instructions for insertion. And, importantly, the agency takes the credit risk and is responsible for payment.

We hope this explanation clears up the matters which have intrigued our reader.

Golden oldies

NOT long ago a New Zealand economist pointed out that the new financial aristocracy will come from the ranks of those who are currently reaching retirement age. They will receive from their employers superannuation indexed to inflation and will also be entitled to national superannuation indexed to wages. Plus, of course, any income generated from savings.

The old will be the new rich. A similar theme is developed in an article "The new aristocracy: Senior Citizens" appearing in "Pentad", the international house magazine of SSC&B-Lintas. It examines the changing impact of senior citizens on marketing trends.

In the less industrialised countries, especially where the oriental joint family system is the backbone of society, the article states, the elderly are venerated and cared for by the family unit (and here we see an echo of the extended family concept of Maori society). In the West, however, the independence of the individual has won out. The elderly are becoming an articulate and mobile force in society.

"The point is that virtually every western society will have a general increase in the elderly as a proportion of the total population every year over the next 30 years." (The article does not define "elderly" but quotes the classification at 13 per cent of

the New Zealand population in 1976, which coincides with the 60 years and over group.)

The article asserts that the retired people today and tomorrow are, and will be, younger both in age and attitudes, better educated and obviously more politically-financially aware than ever before.

"With index-linked pensions becoming more common... the spectre of inflation is less frightening. Mortgages are mainly repaid, insurances mature, there appears a tendency to liquidate financial assets as early teachings to conserve wane."

"There will be demands for better products from the discerning elderly... it does make sense to be in the right place at the right time to provide products and advice which are needed and acceptable."

In urging advertising and marketing people to broaden their vision if they are going to be at all relevant to the retired elderly, the article points out that in America, consumers over 65 constitute a market with buying power nearly twice that of the more competitively sought after youth market. (In New Zealand the 60 plus market in 1977 added up to 372,000 people, all of whom were, in one form or another, beneficiaries of the welfare state.)

Are the elderly more difficult to communicate with? "There is a rift in society between those who were educated through the written word and several generations who have been taught through new methods of communication which rely on the visual impact of television and comics. Today's advertising is largely aimed at the 'illiterate' market and tends to ignore the elderly who can actually read and enjoy reading."

In support of this argument, the article reproduces a readership profile of four of the United Kingdom's leading women's magazines which shows that the over 65 age group supplies from 36 to 50 per cent of the readers. Yet in only one journal did the advertisers have an interest in the elderly in proportion to their readership.

After providing examples of successful advertising addressed to older people, including the New Zealand

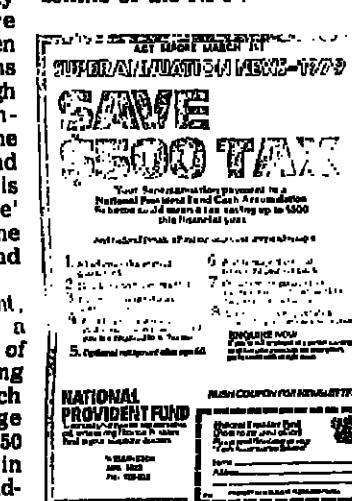
example of General Finance's appeal to the bowling fraternity (Admark: June 14, 1978) the article concludes: "All the evidence today says the elderly are not deprived, they are not useless; they like to be treated as people and not insensitively; they have money; they have the time; there is a need to fill in that time usefully and interestingly. We must not ignore them."

Headline deadline

NATIONAL Provident Fund exhibits a touching faith in the efficiency of a kindred Government department, the New Zealand Post Office.

On Thursday, March 29 — with one trading day left of the financial year — a Provident Fund ad appeared in Wellington's Dominion with the headlines "Act before March 31!" and "Save \$500 Tax".

Both pieces of advice could have been enacted, provided you ignored the next recommendation which was to "Rush Coupon for Newsletter" to the nearest NPF officer. How, with our present snail pace mails, you were to post the coupon, receive the information, and act on it within the space of one day would be known only to the boffins of the NPF.



Commercial and Industrial
Selling - Leasing
Phone 726-209 Wellington
harcourts

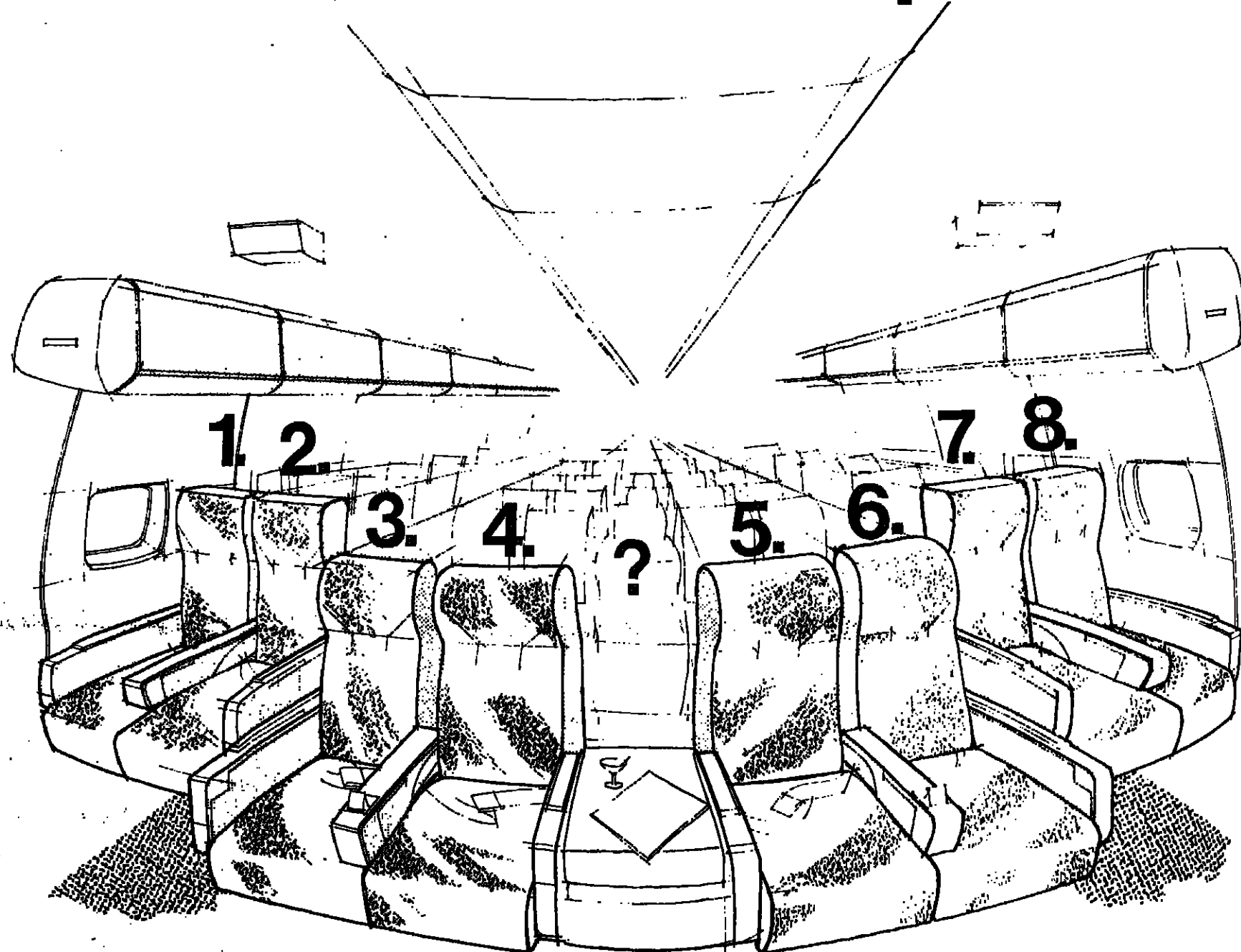
Changing your INTERIOR...? make one CONTACT for the CONTRACT

Zip Commercial Interiors
A DIVISION OF ZIP HOLDINGS LTD.

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Auckland Hamilton Christchurch Dunedin
Tel: 762-104 Tel: 485-910 Tel: 722-771 Tel: 823-837 Tel: 84-105

Ward & Grey's advertising works.

A brief lesson in commercial enterprise.



These cheaper fares are certainly stirring up the airline business.

Now, in an effort to increase revenue, most airlines are adding an additional seat per row.

But in the face of this international trend Swissair has made a commercial decision to retain only eight seats across in the Economy Class of their DC10's, arranging the seats in groups of two.

Swissair DC10's carry fewer passengers and in only two classes.

Economy and First Class.

This means that you have a more comfortable flight. You have a wider seat and wider aisles.

You have elbow room.

The cabin crew can give you more attention.

Everybody has an individual overhead locker so

that all cabin luggage is up off the floor.

And when you travel with Swissair on a full fare ticket, you can select and reserve here in New Zealand, the seat of your choice. It will be waiting for you when you connect with your Swissair DC10 flight in the Far East.

Link up with Swissair at either Singapore, Bangkok or Hong Kong on your next trip to Europe.

And when you arrive in Zurich, you are at the gateway to Europe.

Going on? Swissair gives you immediate connections to any major city in Europe.

Add it all up.

And the answer for New Zealand businessmen going to Europe?

Swissair

swissair

1 Queen St., Auckland Phone 372-341

Transport adversaries realise common goals

by Bob Stott

IT MIGHT not look like it from the outside, but New Zealand's several modes of transport are not perpetually at daggers drawn.

Disagreements, arguments and even feuds surface from time to time. Road and rail are the two main adversaries, but others (for example, coastal shipping v rail) are not unknown.

When we get down to the nitty gritty, however, we find that people working in transport have something in common... they're all in the same industry.

That point has been emphasised in two recent public addresses from road transport people — one written just before New Zealand Railways issued its Time for Change paper; the other some time after Time for Change had been made public.

Road Transport Association executive director Bernard Gresham addressed a local Rotary Club on February 28 the week before release of the Railways paper on February 28.

Gresham said of NZR: "Sound financial objectives need to be set and overall responsibility vested in a commercially oriented corporation. There is a place for rail in New Zealand's transport system. Railways should be restructured to provide an efficient long-distance line haul operation. Road transport should service rail and undertake short and medium haul cartage."

These remarks were akin to

the broad principles expressed in Time for Change. The only real difference is that Gresham advocates a Railways corporation (an idea which Railways management does not support).

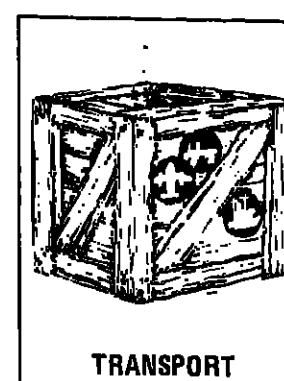
Gresham continued: "The extent of the ultimate Railways network must be declared. This could be a line from Auckland to Dunedin. Only a limited number of goods yards — five or six in each island — might suffice."

"Railways' current inefficiency makes them extremely vulnerable to road in virtually every area of operation. The road sector must be patient and would consider it a national disaster if the 150km limit were abolished in the near future. Railways must be directed to move progressively towards an efficient line haul role."

Time for Change doesn't go that far, but it points in the same general direction. It says 60 per cent of New Zealand Railways stations produced barely 2 per cent of revenue, and said closing of small stations will be speeded up. The general objective is to concentrate on well-developed "freight centres."

Gresham called for five or six such centres in each island. NZR sets no limit, but would hardly agree to so few. Time for Change, of course, emphasises the need to continually review operations of unprofitable lines.

Gresham again: "The Railways department is a very large road transport operator. It operates hundreds of trucks,



TRANSPORT

suburban and long distance buses. Private operators also provide such services and there would be a significant increase in efficiency if all suburban services were operated by the private sector."

NZR might well disagree, but Time for Change sees the phasing out of ancillary road operations (serving small railway stations which can't even generate a wagon-load of small lots). It also says that route services "which are few in number" will be continued.

Since the introduction of freight forwarding a fair slice of railway goods handling has passed from the NZR as such into private hands, and with an increase of efficiency too, as railways management agree.

On March 20, Road Transport Association president R. P. Martin came up with a "state of the industry" address. He spoke of the forth-

coming review of road transport licensing, and said the railway system could not survive without some form of protection.

"There is a place for an efficient rail system within the country's transport network. No doubt the general manager of Railways had this in mind when he wrote the booklet Time for Change."

Martin called for a railways corporation, arguing it would see the Government divorced from the day-to-day operation of the NZR. And he had some sharp words for Transport Minister McLachlan.

The Picton ferry episode (discussed in this column on March 28) obviously irked Martin.

The proposal to shift the South Island terminus down the Marlborough coast was based on commonsense and sound financial objectives, said Martin. The Minister's declaration that the terminal would stop in Picton meant that Time for Change was "not worth the paper it is written on."

How many in Railways would dispute that viewpoint?

Martin agreed with the basic principles in Time for Change, saw a need to close smaller stations and trim back the rail network.

His main criticism was that the discussion paper lacked substance — that it spoke of "reviews" and "studies", rather than firm decisions.

The political realities of life, I feel, mean that NZR can go no further on its own than it did in Time for Change... the Picton episode surely illustrates that point.

Railways and the Road Transport Association are not so close together that NZR is selling out to private road transport in many parts of the country. And the association is not so close to NZR that it can no longer protect the interests of its members when they clash with Railways objectives.

But if the squabbles on details and local issues are ignored for a moment, there is some sort of consensus that New Zealand needs a stripped-down highly efficient and profitable railway network, serving the needs of people looking for long-distance line-haul freight services.

There are obvious differences in detail on how far the rail network should be reduced. The road carriers don't tackle the vexed question of social services — lines which are uneconomic but which serve a real need.

For example, the South Island West Coast has a reliable all-weather link in the line through the Otira tunnel. That line costs \$7 million a year more than it earns.

Provided the alpine passes weren't blocked by six feet of snow, road carriers could compete on this route, at least

with some commodities. But a case can be made to retain the rail link on "social" grounds. In that case, shouldn't the cost to the taxpayer be reduced as far as possible by sending as much by rail as practicable?

A way out might be to refuse to upgrade the mountain roads on the grounds that the railway is doing the job already.

Commenting on the effects of open competition between road and rail and between road carriers themselves, Gresham said: "Transport is an industry in which a high proportion of costs is in providing the basic facilities. This applies to all forms of transport."

"Under-utilisation of capacity or an over-investment of capital has the inevitable effect of increased cost. Free entry (to the industry) and expansion can easily result in well-conducted undertakings being worked only to part capacity, and their combined heavy costs are spread over a small volume of traffic whereas with reasonable limitations the same work can be done more efficiently at less cost if they are working to reasonable capacity."

"It is false reasoning to suggest that ease of entry into transport promotes competition and therefore results in lower costs to users," he concludes.

Insurance commission clamps on direct sales

Melbourne Correspondent

A marked increase in direct response marketing in Australian insurance has prompted the Australian Life Insurance Commissioner to issue new guidelines controlling advertisements, or invitations by post and telephone for insurance business.

Under the provisions of the Australian Life Insurance Act the Commissioner has power to recall any promotional material to which he objects. Rather than implement these provisions, however, he has accepted the recommendations of a committee of insurance representatives that an attempt be made at self-regulation.

Australian insurance people are concerned that promotional literature used by certain companies could prove unfair both to the consumer, and to their competitors.

The new regulations warn that any advertisement placed in newspapers and magazines, or any form of promotion involving application forms, or telephone calls must use terms easily comprehended by the average member of the public. Care must also be taken that any comparisons between

policies offered by rival companies must be made on an equitable basis, and nothing should be done to discredit unfairly other insurance companies' policies. The new rules also hold the company advertising responsible for distortion by omission.

Advertisers must inform the consumer whether, during the currency of the policy, the benefits will increase, or decrease, and whether the premium rates are fixed, or can be changed by the insurer. They must also tell the public when benefits and premiums cease, and where the sum payable is not guaranteed the advertisement must clearly show that the amount payable can decrease, as well as increase.

Several smaller Australian insurance companies have been very active in direct response advertising, promoting their policies through newspaper coupons, and in some cases by direct mailing to the customers of large retail stores. In general, the Australian Insurance Commissioner has warned insurance companies against the extension of this direct response marketing to the more complex type of policy.



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Try us. Whether you go Bureaux or in-house, no one has as many ways to reduce your problems to size.

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Auckland Bureau Manager
Microfilm Services Division

3M New Zealand Ltd.
183 Nelson St.
P.O. Box 33-248 Auckland, N.Z.
Telephone 733-090
Telex: Timine NZ 2601

Ian D. Wilson
Systems Representative
Microfilm Services Division

3M New Zealand Ltd.
Cnr. Bailey Ave. & Colombo St.
P.O. Box 2609, Christchurch
Telephone 54-550
Telex: Timine NZ 2601

Gary E. Pike
Systems Representative
Microfilm Services Division

3M New Zealand Ltd.
4 Adelaide Road
P.O. Box 8243, Te Anau
Telephone 858-708
Telex: Timine NZ 21294

Microfilm Bureaux Services in
Whangarei (Ph. 89561),
Tauranga (Ph. 81007), Dunedin (Ph. 777325),
Invercargill (Ph. 83796)

Microfilm Services Division

3M

Foreign firms trade free of local equity rules

by Rae Mazengarb

THE Government prefers New Zealand participation in the ownership and control of New Zealand subsidiaries of overseas concerns, but there are no fixed rules requiring any minimum of equity capital to be held by New Zealanders. Officials from the Reserve Bank say this point is not generally recognised.

In fact, an "overseas company" means a company or a subsidiary of a company incorporated outside New Zealand; or any New Zealand incorporated company or its subsidiary in which 25 per cent or more of the voting power is held by overseas persons or companies.

Companies wishing to invest in New Zealand are assessed on their individual merits, but generally, the higher the percentage of foreign ownership, the more advantages the proposal is expected to bring to the country. An assessment is made on the basis of a number of factors including:

- Impact on the environment and regional development;
- The extent to which resources or raw material will be developed and impact on employment opportunities;

- The degree to which the proposal will extend New Zealand's access to overseas technology and scientific research;
- The extent to which it will promote industrial growth;
- Impact on productivity;
- Balance of payments implications;
- The degree and significance of participation by New Zealand shareholders and so on.

Legislation controlling foreign investment is in the form of the Overseas Investment Act 1973 and the Regulations of the following year, whilst the Exchange Control Regulations of 1965 control remittance of money overseas.

The Overseas Investment Act established the OIC which comprises five members, three from the public sector and two from private enterprise. The commission considers, in accordance with Government policy and the Exchange Control Regulations, all proposals concerning overseas investment in New Zealand. In general, consents are readily given where the company will be supplying managerial skills, technology and "know how" which will

assist the growth of the New Zealand company or will offer new avenues for the export of New Zealand made goods.

But companies already operating here, say they are fairly happy about their treatment to date.

A stickler for 100 per cent foreign ownership, IBM can operate in New Zealand without a local equity requirement because of the nature of its business, computers.

Managing director, Basil Logan says even now the Government has a very objective approach to foreign



BASIL LOGAN
nationalism is inappropriate issue

investment. "Nationalism is an inappropriate issue. Foreign investment in technology is vitally needed in New Zealand," says Logan, pointing to the difference between an investment which transfers technology to New Zealand and one which withdraws New Zealand resources.

By contrast, ICI (NZ) Ltd, according to corporate relations manager, Lindsay McCallum, is atypical of multinationals with its "strong New Zealand citizenship base".

The company is controlled from within New Zealand by a New Zealand board of directors and 70 per cent of the products sold here are manufactured in this country. "We see ourselves rather as an 'international company'," says McCallum.

Managing director of Unilever, J S Taggart is not conscious of any strong anti-multinational feeling in New Zealand but admits that while foreign investment has not been actively discouraged, the controls "have been difficult" for some companies wishing to operate here.

"The price-profit controls operating over the last five years have not been an inducement for foreign investment," says Taggart. He, along with other executives of overseas concerns, is awaiting with interest details of what could be a changed stance on Government's part.

General Motors' director Ian Stace says he also feels that in the case of a multinational bringing technological expertise to New Zealand there is no suggestion of any growing restrictions on foreign companies' modes of operation.

He referred to problems of remitting profits in the past but there do not appear to be such restrictions now. "We've nothing to send at the moment anyway".

It has always been exchange control policy to approve the remittance of interest, profits and dividends earned in New Zealand to the overseas beneficiaries provided the Reserve Bank gives prior approval.

An auditor's certificate is required for evidentiary purposes. Except in special cases, repatriation of non-resident capital is permitted if the original funds have come to New Zealand through the banking system or in some other "approved manner".

Multinationals which have most complained about their treatment by the Government in the past are the oil exploration companies. American explorer Hunt International Petroleum company was never happy about the Government's alteration of terms under which it had commenced its exploration programme here and the severe tax rates were among the factors which

eventually led the company to pack up and go. "We spent \$50 million here without achieving what we set out to achieve. Very frustrated in those early Government action," John Tatum, resident New Zealand manager.

By this time the Government had leapt in on the oil exploration bandwagon and set up the State company Petrocorp NZ.

General marketing manager of Shell Oil (NZ) Ltd, J. Easther, said Government "interfered" in the business. "It is highly improbable," he admits, "that any person could expect Government to keep out of oil matters, but says the baby would maintain ownership, that the formation of Petrocorp was an unnecessary move at a time when companies — which had a lifetime in oil — were prepared to be engaged."

"It is highly improbable," he admits, "that any person could expect Government to keep out of oil matters, but says the baby would maintain ownership, that the formation of Petrocorp was an unnecessary move at a time when companies — which had a lifetime in oil — were prepared to be engaged."

New Zealand can set a company which has technical strength to do a job," Easther said. As the oil crisis worsens, international oil companies will be looking to the New Zealand Government for attractive concessions.

When the officials "selling" New Zealand internationally — as has been done very successfully in countries such as Ireland — can only guess the measure the Government's gesture. One thing is quite clear: according to officials, controls on land ownership, especially farmland, is unlikely to be relaxed.

by Rae Mazengarb

A WORLD-WIDE publicity campaign to sell New Zealand to multi-national corporations will be launched later this year.

Proposals for the campaign and a liberalisation of restrictions on foreign investment have been submitted to the Government by the Reserve Bank.

Industries most likely to benefit from an inflow of foreign capital, include tourism and some manufacturing areas.

Already the rest of the world has begun to notice the potential here.

... but abroad, multinationals are shown the back door

by Andrew Fisher
of the Financial Times
London

THE multinationals, those vast and sprawling corporate empires whose business tentacles stretch around the globe, are finding their activities increasingly in the firing line these days.

Unlike the late 1960s and early 1970s, when the new emphasis on the environment and the rights of the consumer prompted spirited agitation in the home bases of large companies with household names, the main attention is now coming from the countries where they operate.

The world's major industrial, trading and banking groups are discovering more and more that countries like India, Nigeria, Malaysia, Australia, and Indonesia are prepared to temper their varying levels of enthusiasm for foreign capital with growing restrictions on foreign companies' modes of operation and crucially, their actual ownership.

The Malaysians, for example, have stipulated that 1990 will be the year by which Bumiputras — indigenous people, chiefly Malays, accounting for nearly 60 per cent of the population — will own at least 30 per cent of the equity in the corporate sector. At present, they have less than a tenth.

In Nigeria, Britain is the major investing country, the enterprise promotion decree promulgated back in 1972, and since revised, lays down three broad categories: small companies in fairly simple lines of business which should be wholly Nigerian-owned; those where the local holding should be at least 60 per cent; and those where the Nigerian holding should be no less than 40 per cent.

As in India and elsewhere, the tougher ownership rules have not stopped foreign capital from flowing in — four international motor companies, including Leyland, are building new plants in Nigeria — but they have not exactly made for a buoyant and optimistic investment scene. This points up the dilemma facing countries still in the throes of industrialisation. While anxious to transfer significant slices of foreign-held equity to local hands, or to keep them there, they are also in great need of outside investment.

Despite the anxieties of many international businessmen about the workings of such investment laws as India's FERA, the countries themselves argue that they are needed to prevent excessive profit repatriations and to avoid undue foreign economic influence. India, in fact, has moderated its Act to allow for 51 per cent foreign ownership for concerns able to bring in high technology allied to a commitment to export.

At the potential of our natural gas. Members of those delegations have made no secret of the fact that they are impressed.

Environmentalists have been to the fore of groups which have expressed reservations about the amount of foreign activity here, but trade unions have also been discouraging. One foreign embassy official described trade unionism in New Zealand as being in a state of "irresponsible vandalism", and responsible for many overseas companies staying away.

The Government is keen, however, to attract foreign capital here, and, according to Reserve Bank spokesmen, is already reviewing current policy in this area.

In recent years Government policy has tended toward fairly restrictive control over the operations of foreign companies trading in New Zealand.

Overseas companies exploring the possibilities of investment have not found things easy. Many have complained bitterly about the "unnecessary trouble" from bureaucrats.

Further references to a more liberal stance toward the foreign investor was made during an address a few days later to the Wellington branch of the New Zealand Society of

the Liberal-National Country Party administration of Malcolm Fraser, not surprisingly with a current account deficit of A\$3 billion expected for 1978-79. Australian officials have been travelling the world preaching the virtues of this more welcoming attitude and the Government has been doing its best to put this into practice. It has finally allowed British Petroleum to buy out its partner in the large Clutha Development oil-mining operations in New South Wales.

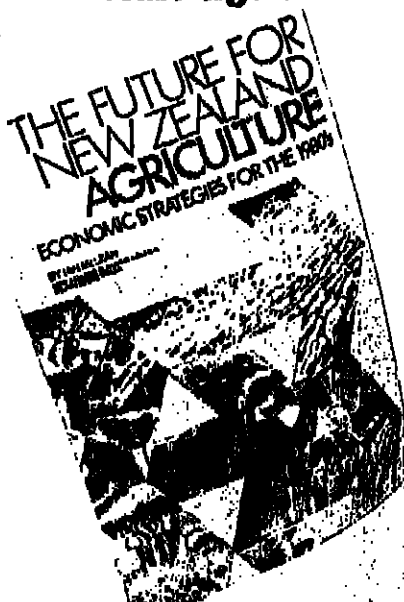
Under its agreement, BP has said it will work towards 50 per cent Australian participation over a number of years, in line with national policy requiring a local partner in major natural resources sectors. The Australian Foreign Takeovers Act classifies as foreign any company which has at least 15 per cent of its shares in outside hands, or if the aggregate foreign holdings total 40 per cent or more.

Several bids ran into difficulties last year over the requirement that local equity be retained or reintroduced. Texton of the United States received the go-ahead for its bid for John Sands, a greeting card and printing group, only by agreeing to keep a local equity component of at least a quarter, while the bid by Brooke Bond of the United Kingdom for the Bushells tea company was held up for similar reasons. Another British group, however, the Pilkington glass manufacturer, was allowed to buy 100 per cent of Sole, which makes lenses, because it intended to infuse this company with its own high technology.

It is clear from the varied conditions to which foreign operations are subject that leading companies are being simultaneously welcomed and held in check by governments. Along with the necessary entrepreneurial vigour, therefore, the multinational which hopes to continue prospering also requires a large dash of diplomacy.

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Refinery plan offers key to cut lead level

by Belinda Gillespie

WITH the Marsden Point Oil Refinery extensions still at the planning stage, it seems that New Zealanders will have to keep inhaling lead-laden fumes for years to come.

New Zealand petrol has a high lead content by world standards — other developed countries have progressively reduced the quantities of lead added to petrol, in the light of mounting evidence as to the potential health hazards of too much lead in the environment.

The Government has stalled for several years in the hope that the refinery extensions would resolve the problem.

The Clean Air Council in 1974 recommended that petrol's lead content should be reduced progressively over six years. The council suggested that till the proposed oil refinery expansion took place, a reduction from the 1974 level of 0.84 grams litre to 0.68 g/l in 1980. By January 1 1981, or the completion date of the refinery, whichever was sooner, lead should be reduced

to 0.45 g/l. The refinery should be designed to produce petrol at this level, but should be flexible enough to make subsequent changes to meet standards adopted by the EEC.

There has been no action so far on these recommendations. Meanwhile in Britain the current maximum is 0.45 g/l. In the United States, the Environmental Protection Agency has successfully enforced regulations requiring lead-free fuel to be available at all but the smallest filling stations, and has won several legal battles in order to impose overall limits on lead in petrol.

The average lead content of petrol in the United States is now 0.13 g/l. Since 1976 the Germans have had a lead law imposing a ceiling of 0.15 g/l. The Scandinavians, Austrians and Swiss have reduced lead in petrol to 0.4 g/l, while Japan has banned it entirely from regular grade fuel. The Soviet Union banned lead from petrol sold in cities from 1968.

Yet New Zealand continues

at a level double the highest of these.

With oil scarce, or expensive, or both, it's a bad time to talk about taking the lead compounds out of petrol. Doing without it is easier said than done. It is added to give high-octane performance, so cars can have higher compression ratios and save fuel. Without it, engines "knock", that is, the fuel explodes prematurely in the cylinder instead of burning evenly, and harms pistons, exhaust valves and gaskets.

There are promising alternatives. A blend of 15 per cent methanol with petrol raises octane rating and LPG will also allow a reduction to be made in the amount of lead.

Expansion and retuning at Marsden Point will also permit the refinery to produce a high-octane fuel with less lead. Though a higher energy input will be required, the cost in overseas funds and the cost to the individual motorist should not be great. The limitations of the present refinery mean that



MARSDEN POINT... extensions would give the Government a way out

any changes would significantly increase the crude oil quantity required to produce a given amount of petrol, if lead additives are not used. The cost in overseas funds would be considerable.

The West Germans have gone for a high-octane fuel with little lead; the Americans for making unleaded, lower octane petrol for lower compression engines, or keeping on as they are, but equipping cars with a special lead trap.

General Motors is looking at another alternative — the development of a high-performance engine with a sensor to detect "knock". A signal is fed to a micro-processor, which adjusts the engine's ignition timing, reduces power slightly, and prevents damage to the engine. The engine can then be driven "on the edge of knock" with the advantage of high compression and lead-free fuel.

Weighing cold hard cash in the balance against human health is not a popular exercise with politicians. There are certain indisputable facts. Three quarters of the lead in petrol ends up in air as a fine aerosol. Vehicle exhausts account for over 90 per cent of the lead in city air. Lead accumulates in the environment, so that even remote areas can be contaminated.

But the actual effects on human health are so far unquantifiable. The issue is an emotional one, because child health is involved. The argument is how much airborne lead contributes to total lead burdens, and whether these have exceeded safety limits. Scientists, depending on which way their sympathies lie, can select their evidence and argue their case accordingly.

While there are costs involved for both motor and oil industries in a transition to lead-free petrol, these should be seen as inherent costs of petrol-engined transport. Keeping lead in petrol because of the cost in overseas funds is tantamount to admitting that lead gives petrol a competitive edge over other fuels at the expense of the environment.

Lead in petrol is a negative tax discriminating in favour of petrol-engined vehicles and against other forms of transport fuelled, for example, by diesel and electricity — if prices were allowed to reflect the real cost, consumers could make their choice accordingly.

Studies on New Zealand children show that paint from old houses and vehicle exhaust fumes appear to be the main sources of lead absorption. Lead poisoning is rare, but a small proportion of pre-school children have levels of lead in their bodies high enough to cause concern to health authorities. There is evidence that children are being affected by levels of lead lower than those known to cause outright symptoms, while other evidence can be produced to counter this.

When Rob Muldoon was tackled in 1977 about Government inaction on the health hazards of lead emissions from car exhausts, he told the New Zealand Clean Air Society that the Health Department had no proof that this source of lead was a danger to health.

Despite the absence of proof that lead in the air endangers health, the Health Department is still committed to reducing lead in the environment as much as possible. The department input, however, is

only one of many in what is largely a socio-political decision.

A department spokesman emphasised that the exposure of children to lead under "constant scrutiny". While most lead ingested comes from food or soil, some around old houses painted with a lead-based paint, the department expressed more than "interest" in reducing the lead content in petrol.

The Commission for the Environment is currently awaiting New Zealand Refining Company's report on the proposed expansion, in which the environmental and health aspects of lead in petrol will be discussed. Once the report is made public, the commission will receive submissions, then will present its conclusions in an environmental audit. One could conclude that the proposed level of 0.13 g/l will no longer be good enough, in the light of more still inconclusive evidence as to the health hazards of lead as well as the relatively high levels now accepted in Europe and the United States.

If the refinery extensions are not, after all, go ahead, Government may have to make an unpopular and expensive decision to get priorities in order and reduce lead in petrol regardless of costs in energy.

Local broker goes it alone

by John Sloan

SOME of the world's big insurance brokers, who have been talking about "pooling resources", "sharing risks" and "rationalising international operations".

Some big names are involved in these "super-brokers". Marsh McLennan & Bowring for example, C. Alexander and Alexander, coupled with Sedgwick Paley and Bland Payne.

One local broker will be largely unaffected by the international deals. He is opted to go it alone in New Zealand.

Bob Fenwick, managing director of Bland Payne Fenwick Ltd, has announced that his company will not be merging with Sedgwick Paley and Bland Payne.

Fenwick has arranged to buy Bland Payne's minority interest in his company. Bland Payne will continue to be the Lloyds connection.

Both Fenwick and Bland Payne recognised that local and international companies service to clients and paramount and any "pooling of the ways" competition would damage both of them.

Fenwick's other company, Marsh McLennan & Bowring Ltd, will continue to operate as at present. Marsh McLennan will retain its shareholding.

Mergers often result in broker's clients switching to other brokers.

Fenwick anticipates activity (principally generated by competing brokers and clients), but dismisses it as "unlikely to succeed" as the international support and facilities available to his group have no way diminished.

Neither does he expect losing any major international accounts because "the majority of them are based locally — little of our business has been overseas direct."

Statistical skulduggery

POT calling the kettle black? Your article March 21...

...three kinds of lies... Pages 30-31, had some fine examples of "statistical skulduggery" in the misleading use of statistical charts.

But the best (or worst?) example I have yet seen was in your own journal, in the very same issue.

On page 27 your own chart shows the South Island population fading away to nothingness. Please! They do still make up more than one quarter of the population.

D J O'Dea, Research, Wellington.

Chambers adamant

IN your article of March 21 entitled "State drowns businessmen in forms for filling", you speculate on two attitudes that the Chambers of Commerce might adopt.

You suggest that the movement might be sceptical about any glimmer of hope arising from the declared intention of Government to require departments to justify all relevant legislation.

Too right! In an effort to be constructive and as factual as possible, we are starting on a survey to try to quantify a few things in this area, such as numbers, costs, irrelevancies, confusion. We will keep you posted. A few facts will do no harm.

You also suggest that the Chambers of Commerce are unlikely to be satisfied until all controls on business behaviour are removed.

Not so. We have never said so.

Certain business activities must, and always will be, subject to control or scrutiny. Government's job is to protect the weak from the strong. But it is not Government's job to distort the market place, discourage consumer choice or impose controls which discourage risk-capital from having a go.

Finally, you link this movement's name with the term "private enterprise". We do not battle for private enterprise. But we do battle for free, competitive enterprise (a market economy if you like), for all the other freedoms which are inextricably linked to that concept, and for an understanding of "business" based on fact instead of emotion.

Alan R Simm, Executive Vice-president, NZ Chamber of Commerce

Assault on language

ASSAULT upon the English language would seem to be a recent phenomenon. I see no reason for journalists to invent ridiculous words from nouns as would seem to be a current fad. I refer to the twice used "accessing" which has no place in the 800,000 word language.

I would suggest that Stephen Bell (NZR March 28) would be doing service to journalism by throwing verbal garbage in the bin.

James Keen

The clever society

PROGRESS usually is a wonderful thing, but I sometimes feel we have reached a stage where progress backwards is becoming our downfall when I

look at what is happening in New Zealand today.

Some whizz kid did a great job convincing somebody that we should change to decimal currency, which on paper looked a great idea, but the costs of replacement equipment, training, printing, cost the end user plenty. Certainly it kept a lot of people in a job, but finished up with giving us a currency that is useless. (Have you tried to spend a one or two cent piece lately?) It wouldn't be so bad if a dollar was a dollar world wide, but it isn't, and changes every day.

The next whizz kid, or think tank experts said, let's go metric — again this is a cost that will never be recovered and the end user will pay forever.

Let's look at our transport



LETTERS

system and what it is doing to costs, which even if we can afford to pay, doesn't work fast or efficiently, or achieve a desirable end result. As an example, what about the Lyttelton Ferry, which was running at a loss of \$1.5 million or some such figure each

year? Somebody said, you can't run something at a loss. Let's get rid of it. Did anybody take the trouble to find out:—

1. At what cost?
2. Why it ran at a loss?
I am not approaching the twilight years yet, but I will remember using this excellent service frequently, when the accommodation was dormitory style, community ablutions and, if you could avoid the tip for the steward, was a total "do it yourself deal", and people could afford it.

I also remember those thick slices of bread and cheese with coffee for supper, almost world renowned and the highlight of the trip, and what happened — we got clever again, because somebody decided meals should be served, people want private

rooms and their own wash basin, and that everybody must have things done for them, because this is what happened overseas. And what happened? People couldn't afford to pay. The passenger list got smaller and deterioration was rapid. Now we have got nothing for the average man — the air lines look over with all their glamour, so you take it or leave it. Fare increases are regular and it won't be long before we can't afford that either. So, you see, we aren't so clever after all! Ask the men in the business community today who are trying to get goods between the two islands.

This is all brought about by what could probably be described as an ambitious society with too many brains

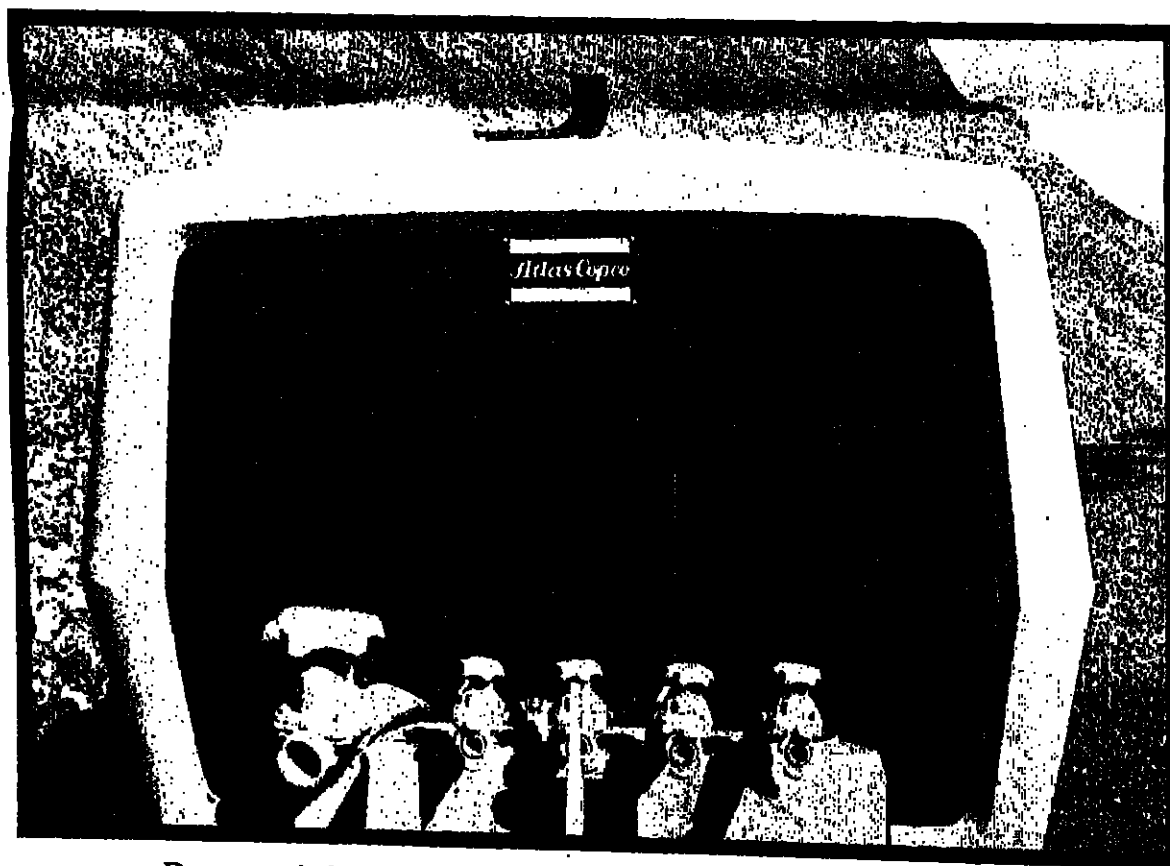
and not enough common sense, also by too many people trying to carve out a job for themselves, to use up that high education qualification that everybody said we should have.

I wonder how many blunders we will make or are we ready to slow up and revert to the old ways, catering for a need, not the idealistic desire of a few.

I am not a cynic and I believe we can learn from our mistakes, but let's make sure we don't make any more. I also say we must be results orientated and am sure many will agree that our track record over the last ten years has not been good. The beehive boys are bewildered and so is Joe Citizen.

R T Duckmanton, General manager, Cooper Henderson Motors.

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